



Are Entrepreneurs Penalized during Job Searches? It Depends on Who is Hiring

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For Peer Review

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ABSTRACT

How do job-applicants with entrepreneurship experience—"post-entrepreneurs"-- fare in the wage labor job market, which they likely enter upon exiting an entrepreneurial venture?; past research shows post-entrepreneurs generally suffering a penalty. We propose this "entrepreneurship-experience penalty" depends on the *recruiter*. In an experiment utilizing the selection-decisions of 275 recruiters (participants) in reaction to objectively-identical job-applicants' resumes whose differences relate to whether their last-held job was as a Founder or Executive, we found that: (a) Founders are significantly less likely than Executives to be picked as a top-choice for hire; (b) this penalty weakens for recruiters with rather than without entrepreneurial aspiration; and (c) the weakening of the entrepreneurship penalty is stronger for recruiters in smaller (rather than larger) firms. Theoretical and practical implications are discussed.

KEY WORDS: entrepreneurship, return-to-entrepreneurship, job recruitment, similarity attraction, ingroup favoritism bias, firm size effect

INTRODUCTION

Up until recently, entrepreneurship scholars have devoted a predominant share of interest to what drives individuals to become entrepreneurs — that is, to pre-entrepreneurship stage decisions (Sorenson & Stuart, 2008). However, as recent large-scale evidence has shown, societies with many entrepreneurs are also likely to have many “*post-entrepreneurs*” — that is, people who were previously entrepreneurs but no more (Dillon & Stanton, 2017; Kaiser & Malchow-Møller, 2011; Manso, 2016; Morelix et al., 2016). For example, in two different country and population contexts, Kaiser and Malchow-Møller (2011, Danish population) and Dillon and Stanton (2017, US data of Panel Study of Income Dynamics) revealed a consistently high exit rate of individuals *from* entrepreneurship, at about a quarter after one year and 40-50% after five years of entrepreneurship. These empirical patterns point to the importance of understanding post-entrepreneurial outcomes for individuals when they transition back to the wage-labor market.

Studies of the return to entrepreneurship experience have by and large shown that upon re-entering the wage-labor market, post-entrepreneurs suffer a penalty in terms of: obtaining call-back job interviews (Botelho & Chang, 2023; Kacperczyk & Younkin, 2022; Koellinger et al., 2015), their probability of getting a new job (Bruce & Schuetze, 2004; Failla et al., 2017; Sorenson et al., 2021), and their short-term and, to some extent, long-term wage earnings (Kaiser & Malchow-Møller, 2011; Mahieu et al., 2021, 2022; Merida & Rocha, 2021). Such penalty has also been observed for individuals who have worked as employees of entrepreneurial firms (Fackler et al., 2021; Sorenson et al., 2021).

Despite the progress in the body of research on post-entrepreneurship outcomes, two notable gaps still remain in the literature. First, most of the previous research on post-entrepreneurship outcomes views the process of entrepreneurs returning to the wage labor market as a matching process. More specifically, this process consists of supply-side factors (e.g., characteristics of the entrepreneurs who choose to return to the wage labor market) and demand-side factors (e.g., characteristics of the firms or relevant recruiting managers who are making decisions on interviewing and/or hiring a job applicant) that jointly shape the labor market outcome of post-entrepreneurs. This poses significant challenge to scholars attempting to study post-entrepreneurship outcomes using archival data: it is quite difficult, if not impossible, to empirically disentangle the supply-side from the demand-side explanations for their findings. As

such, despite using carefully matched-sample design techniques, most archival-data-based studies of post-entrepreneurship wage outcomes acknowledge the potential bias in their results that may be caused by non-random matching of post-entrepreneurs and employer firms. For example, as post-entrepreneurs' return to wage labor market is non-random, it is possible that the observed evidence of entrepreneurship-experience penalty in archival data may be driven by differences in the human capital of the entrepreneurs who choose to stay in their ventures versus those who choose instead to return to the wage labor market.

A second notable gap in the literature regards the lack of research that identifies *job-recruiter* level factors that may influence the entrepreneurship-experience penalty experienced by post-entrepreneurs. For example, even in the two recent experimental studies that address demand (employer)-side variations (Botelho & Chang, 2023; Kacperczyk & Younkin, 2022), the heterogeneity of *individual recruiters* who are evaluating post-entrepreneurs is not investigated. As such, we still lack understanding of the social-psychological underpinning of recruiters' influence on the way post-entrepreneurs are evaluated. Moreover, because the actions of job recruiters relate partly to their considerations of "fit" between job applicants and the organizations the recruiters represent (Bidwell & Briscoe, 2010; Botelho & Chang, 2023; Ferguson et al., 2016; Kacperczyk & Younkin, 2022), we also lack the understanding of how an individual recruiter's evaluative patterns interact with organizational level constraints to shape the labor market outcome for post-entrepreneurs. This issue is even more salient in archival-data-based studies, which typically use data of matched employees (job-applicants) to employer firms. While these datasets have impressive coverage of the scope of individual workers and firms, they do not report information on the *recruiting professionals*.

To address these gaps, in this paper we have done the following. First, we used an experimental research design to address the non-random assignment problem that is present in typical archival studies. Specifically, we generated a set of resume templates that were vetted to be similar to each other in several key dimensions relating to human capital and then randomly assigned to the resume templates a last-held job that was either an entrepreneurial or non-entrepreneurial experience (with details shown in our Methods section). We recruited professionals who have had recruiting experiences and asked them: (1) to compare the resumes presented to them (50% of which represented a post-entrepreneur and 50% of which represented a non-entrepreneur) and (2) to choose their top-choice for hire. This experimental design enabled

us to hold constant supply-side heterogeneity since all job applicants’ resumes are randomly assigned either an entrepreneurship or non-entrepreneurship experience.

Second, at the theoretical level, we built upon a central tenet in previous studies on return to entrepreneurship that potential employers face uncertainty in evaluating the entrepreneurship experience held by an applicant (e.g., Kaiser & Malchow-Møller, 2011; Mahieu et al., 2021, 2022; Sorenson et al., 2021). This fundamental point led us to posit demand-side heterogeneity (i.e., preferences of the individual job-recruiters) that may alter such evaluative uncertainty and, correspondingly, the extent of entrepreneurship penalty. Therefore, in this paper we investigated characteristics of the recruiters to understand how heterogeneity across recruiters may influence the way they evaluate post-entrepreneurs (versus non-entrepreneurs).

To guide our hypotheses, we draw on the Similarity-Attraction Theory and, even more narrowly, the ingroup favoritism bias—both of which regard the tendency for people to be more attracted to similar rather than dissimilar others (cf., Gómez et al., 2000). These two tendencies lead us to posit that the entrepreneurship-experience penalty probably depends on the extent of the recruiters’ own entrepreneurial aspirations, which presumably influence the degree of evaluative uncertainty recruiters have for post-entrepreneurs. As such, we expect the entrepreneurship-experience penalty to weaken if the job applicant is being evaluated by a recruiter with entrepreneurial aspirations, hence by someone who likely perceives him/herself to have similarity with the job applicant. On the other hand, because “person-organization fit” perceptions are an integral part of job-recruiting, we also expected characteristics of the organization represented by recruiters to constrain whatever evaluation-influence the individuals’ own entrepreneurial aspirations may have. Drawing from literature regarding the differences between small and large firms that relate to entrepreneurship (cf., Elfenbein et al., 2010; Sørensen, 2007), we hypothesized that entrepreneurially-oriented recruiters in smaller- (rather than larger-) sized firms are more likely to reduce an evaluation-penalty against post-entrepreneurs.

The rest of our paper is organized as follows. In the next section, we summarize literature regarding entrepreneurs’ return to the wage-labor market that leads to our baseline expectation of an entrepreneurship-experience penalty. Building on this baseline, we develop our hypotheses about the role of recruiters in strengthening or weakening the entrepreneurship-experience penalty as well as the constraining effect of firm size on the recruiters’ moderating effect. In the

Method section, we describe our experimental design and key variables, followed by Results. Lastly, we discuss our findings' theoretical and practical implications.

LITERATURE REVIEW AND HYPOTHESES

Entrepreneurship-Experience Penalty

The baseline of our inquiry is that post-entrepreneurs are penalized when returning to the wage-labor market. The bulk of previous studies on the impact of entrepreneurship experience on earnings of individuals broadly paint a pessimistic picture regarding the economic return to entrepreneurship (in terms of the effect of a job-experience episode on future earnings). Several studies have found a short-term “earnings-penalty” for post-entrepreneurs— that is, the tendency for individuals' wage earnings to be significantly smaller following a time-period involving an entrepreneurship experience rather than a traditional wage-earning employment experience (Baptista et al., 2012; Bruce & Schuetze, 2004; Failla et al., 2017; Kaiser & Malchow-Møller, 2011; Mahieu et al., 2021; Merida & Rocha, 2021). One study that used Norwegian tax records data, however, observed an entrepreneurship-experience premium (Luzzi & Sasson, 2016). Overall, the evidence for short-term post-entrepreneurship earnings points more towards the existence of an entrepreneurship-experience penalty.

On the other hand, evidence regarding long-term return to entrepreneurship experience appears mixed. Comparing longitudinal earnings data (NYSL79) for U.S. individuals who have experienced entrepreneurship at some point in their careers and those who have never, Manso (2016) found that those with at least one spell of entrepreneurship experience earned more than those who have never been in entrepreneurship (or at least no less, if the entrepreneurial spell is less than two years). Campbell (2013) reported a similar positive return after an individual departed from entrepreneurship in the U.S. semiconductor industry. However, Mahieu et al.'s (2022) analysis of Belgium national data found that the ever-entrepreneur individuals earned about 27% less than the never-entrepreneur individuals five years after they exited entrepreneurship. Relatedly, Sorenson et al.'s (2021) analysis of Danish workforce using the employer-employee matched IDA data also revealed a long-term wage earning penalty, on average, for individuals who have worked for startup firms.

Both Fackler et al. (2021) and Sorenson et al. (2021) suggested, in their studies, that the wage penalty experienced by individuals with an experience in entrepreneurial firms relates to

the employment patterns of these individuals after they exited the entrepreneurial firms. Yet, until recently, post-entrepreneurship employment outcome remains an under-investigated area in the entrepreneurship literature, particularly relating to the short-term employment outcomes after one exits entrepreneurship. Thus far, there are only a handful of studies investigating post-entrepreneurship employment outcomes. Baptista et al.'s (2012) study of Portuguese labor force have shown that post-entrepreneurs are more likely to be placed at a higher level in organizational hierarchies though at smaller-sized firms. Three recent experiment-based studies that compared the odds of getting an interview contact from potential employers for post-entrepreneurs versus non-entrepreneurs have consistently observed an entrepreneurship-experience-penalty in obtaining a call-back interview (the gateway for getting hired) when they return to the wage labor market (Botelho & Chang, 2023; Kacperczyk & Younkin, 2022; Koellinger et al., 2015).

Job search in the wage labor market is a matching process between job seekers and employers who are looking for talents to fill vacancies in their firms (Jovanovic, 1979). For five reasons, there is probably more uncertainty in evaluating a job applicant who is a post-entrepreneur (compared to a non-entrepreneur). First, the previous employing organizations' names on the post-entrepreneur's resume are probably less (if at all) familiar, thereby preventing recruiters from inferring the quality of post-entrepreneurs' work-related training, skill- and/or network-building opportunities, and other experiences that are typically associated with well-established brand-name firms. Such evaluative uncertainty may lead employers to reward job applicants with work experience in better-known organizations (Bidwell et al., 2015; Bidwell & Briscoe, 2010; Rider & Negro, 2015). Secondly, the previous performance track-record of the employing organizations of the post-entrepreneur is probably sparser, thereby preventing recruiters from evaluating the quality of work experience at a startup firm (Sorenson et al., 2021). Third, the post-entrepreneur job applicant probably has a broader, hence more generalist (rather than specialized), skill set (Åstebro et al., 2011; Åstebro & Thompson, 2011; Lazear, 2004, 2005) that may lead recruiters to question how transferable the skills are to the recruiting organization's specific needs (Kaiser & Malchow-Møller, 2011). Fourth, the post-entrepreneur (relative to the non-entrepreneur) job-applicant is probably more of a risk-taker (Kim, 2018; Levine & Rubinstein, 2017) and, thus, more likely to prefer independence and autonomy (Roach & Sauermann, 2015; Sauermann, 2018); and these qualities likely raise questions for recruiters

about post-entrepreneurs' fit with regular wage jobs. Fifth, the post-entrepreneur (relative to the non-entrepreneur) job-applicant may be perceived by recruiters as having fewer if any alternative career options due to their choice to enter entrepreneurship, placing into question post-entrepreneurs' market value. For example, Sorenson et al. (2021) noted that individuals "... often become involved with startups less as a matter of choice, and more just because they needed jobs." (p.589). This may lead recruiters to assume that the post-entrepreneur job applicant re-enters the wage-labor market because of a failure of his or her venture and, as such, the applicant's hiring appeal may be tainted by the "stigma of failure" (Landier, 2005). Collectively, these five reasons for why job recruiters likely feel more uncertain when evaluating job applicants who are post-entrepreneurs rather than non-entrepreneurs lead us to the following baseline expectation:

Baseline expectation: *Job applicants with rather than without entrepreneurship experience have a lower probability of being selected by job-recruiters as a top-ranked choice – hereafter called "The Entrepreneurship-Experience Penalty."*

The Moderating Effect of Job recruiters' Own Entrepreneurial Aspiration

As discussed above, underlying most of the explanations for entrepreneurship-experience penalty is an assumption of evaluative uncertainty facing post-entrepreneurs. This assumption begs for a better understanding of *decision-makers* in the hiring process who are evaluating the job candidates—namely, *the recruiters*. Individual job applicants are hired into positions through a vetting process in which one or more recruiters evaluate both the quality of human capital of the job applicant and the fit of the applicant for the firm. In this process, there may be room for variation in the interpretations of a job applicant's qualifications by each individual recruiter. For example, job applicants who have started a firm often tradeoff depth of knowledge with breadth of knowledge. In such a case, which aspects of the job applicant's experience, breadth or depth, might a recruiter pay more attention to? Which aspect might be viewed favorably as opposed to as a liability for the job applicant? These questions are all subject to interpretations for which individual recruiters may differ. Interpretational differences across job recruiters are probably greater for job applicants whose histories pose greater evaluative uncertainty, hence for job applicants who are post-entrepreneurs.

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As a first step toward answering questions such as these, in this paper we bring the recruiters into our explanatory model and spotlight recruiter entrepreneurial aspiration as a moderating factor of the entrepreneurship-experience penalty. Our choice of recruiter entrepreneurial aspiration as our focus is driven by two related theories in the social-psychological literature, explained below. For two reasons, we posit that the entrepreneurship-penalty effect will probably be weaker for job recruiters who have (rather than have not) considered the possibility of becoming entrepreneurs, hence held any entrepreneurial aspiration.

First, “aspiration,” like “intention,” are each defined to be planning that relates to a future action; and when people think about behaving in a particular way in the future, their intended behavior tends to actually occur. Stated more simply, people tend to behave congruently, not incongruently, with their intentions (Fishbein & Ajzen, 1975). Job recruiters who have considered becoming entrepreneurs will behaviorally show congruence with this cognition by (eventually) becoming an entrepreneur or, less extremely, favorably evaluating others who have done this (e.g., job applicants who are post-entrepreneurs).

A second reason the entrepreneurship-experience penalty may be weaker for job recruiters with (rather than without) entrepreneurial aspiration pertains to the probability that such recruiters will more strongly identify with those who, like themselves, have held an entrepreneurial aspiration; and thus also, more strongly feel attracted to job applicants who have had this aspiration. This probability is consistent with the “ingroup favoritism-bias” (Turner et al., 1979), which is the tendency for people to more favorably evaluate, and also treat, members of their ingroup rather than members of their outgroup — that is, to more positively evaluate and treat similar rather than dissimilar others, respectively. This tendency is also reflected in Byrne’s (1971) similarity-attraction theory, described succinctly by Jehn, Neale, and Northcraft (1999) to be people’s tendency to prefer similarity in their interactions. Jehn et al. also note: “*Likewise, theories of selection (Chatman, 1991) and socialization (Van Maanen & Schein, 1979) promote similarity in values ... as the basis for maintaining effective work environments*” (p. 74).

Edwards and Cable (2009, p. 657) explain people’s tendency to feel more attraction (i.e., more mutual liking and friendship, cf., Berscheid, 1985) toward more similar others as due, in part, to the greater ease of communication that typically occurs among people with (rather than without) similarities to each other and, in part, to “*predictability, such that people form positive feelings toward others whose behavior they can anticipate, which reduces uncertainty and*

promotes understanding in interpersonal exchanges...” Importantly, the similarities referred to in Edwards and Cable’s explanation pertain to the congruence in values that people perceive with each other, hence to attributes that are *unrelated* to “social category diversity,” such as physical qualities relating to age, gender, race, ethnicity, etc. (Jehn et al., 1999).

Extrapolating from the similarity-attraction effect, also referred to as the ingroup favoritism bias, it is likely that a job recruiter will more favorably evaluate the application of someone with whom the recruiter perceives more (rather than less) value-based similarity. This is because the value-similarity between an entrepreneurially-oriented recruiter and a post-entrepreneur job applicant will likely lead the recruiter to favorably interpret qualities in the applicant that are otherwise perceived as uncertain to other recruiters (without entrepreneurial aspirations). As such, the presumed evaluative uncertainty that underlies the entrepreneurship-experience penalty (Mahieu et al., 2021, 2022) may be reduced. Thus, we hypothesize:

Hypothesis 1: *The entrepreneurship-experience penalty (stated as our baseline expectation) is weaker when job recruiters have aspirations to become an entrepreneur; and is stronger when recruiters lack such aspirations.*

Firm Size Contextualizes the Recruiter Effect

In most cases, recruiters are not hiring job candidates for themselves. Instead, they are hiring for the firm they work for. As such, the recruiters are evaluating the fit of a job applicant for their firm (Bidwell & Briscoe, 2010) and any similarity-attraction or in-group favoritism-based preferential evaluation of post-entrepreneurs will need to be contextualized in the firm. Consistent with our thinking, Ferguson et al. (2016) noted that individual recruiters’ evaluations of job applicants are constrained by the firms in which they work.

Admittedly, there are multiple dimensions in a firm that are worth exploring as factors that may constrain the recruiter effect. We chose to focus on one salient dimension—firm size—based on the prior literature (cf., Elfenbein et al., 2010; Sørensen, 2007) that relates organizational size to entrepreneurship outcomes. Large and small firms may differ from each other in two important ways that are related to the evaluation of a post-entrepreneur. First, the room that different sized firms provide for individual recruiters to play a role in hiring decisions varies. In smaller firms, recruiting tends to be nimbler with a smaller number of decision makers involved in hiring, thus offering individual recruiters to play a greater role in the evaluating and vetting of job candidates. Conversely, in larger firms, recruiting is part of a larger bureaucracy

where individual recruiters tend to play only a limited role. Additionally, recruiters are also evaluating job candidates for organizational fit. Relative to smaller firms, larger-sized firms generally have greater job specialization and rigidity of organizational roles (Gouldner, 1954). The organizational culture in larger firms also tends to be more bureaucratic (Sørensen, 2007) with stronger conformity pressure (Merton, 1968; Schumpeter, 2010; Whyte, 1956). The description of an employee as “a cog in a machine” is more likely to be associated with larger, more bureaucratic firms than with smaller firms.

As such, post-entrepreneurs may be poorly aligned with these characteristics of larger-sized firms. If an entrepreneurially-oriented recruiter is evaluating a job candidate with an eye for organizational fit, then his or her positive evaluation of post-entrepreneurs may be undercut by such fit-related concerns. For example, entrepreneurs are more likely generalists with a broad range of skills (Åstebro et al., 2011; Åstebro & Thompson, 2011; Lazear, 2004, 2005). Yet, these broad-ranged skills may not all be readily transferrable to a large firm where job roles tend to be more specialized (Sturman et al., 2008). In addition, entrepreneurs are often “illicit,” having a history of being rule-breakers (Levine & Rubinstein, 2017). While a more entrepreneurially-oriented recruiter may interpret this quality as indicative of one’s willingness to take risks, such positive interpretation of this aspect of human capital may be constrained when the hiring is for a large, bureaucratic organizations where cultural conformity tends to be emphasized. Again, fit-related considerations may reduce any penalty-reduction effect from a recruiter harboring his or her own entrepreneurial aspirations.

To be clear, it is not our intention to deny the possibility that larger firms may make attempts to be more entrepreneurial and, relatedly, may desire more entrepreneurial job candidates. Probabilistically speaking, however, research contrasting trends in larger versus smaller firms (described above) lead us to posit that recruiters representing larger (rather than smaller) firms will be likelier to question the skillset and cultural fit of job candidates who are post-entrepreneurs rather than non-entrepreneurs. As such, recruiters’ firm-size may significantly constrain the entrepreneurially-oriented recruiter effect that we hypothesized above. Consequently, we posit that:

Hypothesis 2: *The tendency for job recruiters’ own entrepreneurial aspirations to weaken the “entrepreneurship-experience penalty” (as predicted by Hypothesis 1) is stronger for recruiters working for smaller (rather than larger) firms.*

METHOD

Participant Acquisition and Characteristics

We tested our hypotheses with a research design in which enrolled participants (all instructed to take on the role of “job recruiters”) chose among experimentally manipulated résumés (representing “job applicants”) their top-choice job candidate for hire.

Our study participants are comprised of 275 full-time managers (all of whom met the four screening criteria described below) who had been enrolled by Clear Voice, a third-party agent that assists researchers in obtaining participants for their studies based on pre-defined research criteria. This strategy, as well as this specific third-party agent, has been successfully used by other scholars (e.g., Carton et al., 2014; Derfler-Rozin et al., 2018). To incentivize participation, Clear Voice’s enrollment message described our study as “*a decision-making study that will require participants, via an online survey, to evaluate four job-applications for a managerial-level position and decide whom to hire*”; and this enrollment message offered participants \$15.00 for completing an online survey involving these decisions. To be eligible for our study, participants needed to: (1) have previously recruited and hired job applicants for managerial-level positions; (2) be a U.S. resident, (3) be full-time employed for at least 7 years, and (4) be in a supervisor role with a minimum of two employees. We chose these criteria in order to enhance the likelihood that our study’s participants would have familiarity with being a manager, hiring managers, and using English as their first and primary language. We made the position-for-hire “managerial” in nature to achieve two goals: (1) to be consistent with past research showing that post-entrepreneurs are more likely to be considered for positions involving (rather than lacking) management responsibilities (Baptista et al., 2012), and (2) to keep constant, when testing hypotheses, the nature of the position-for-hire across all job-applicant-selection decisions—which further strengthens an “apples-to-apples” comparison across all job-applicants that our study’s design strove to obtain.

We purposefully did not ask study-participants, following each job-application, whether the job-application represented someone with versus without entrepreneurship history since doing this seemed likely to alert participants to our study’s hypotheses. Importantly, in order to ensure that the study-participants whose evaluations we subjected to hypothesis-testing were accurately guided by facts they saw in the set of job-applications they received, the survey asked them several fact-checking questions regarding the four job applications they read, enabling

them to go back to them in order to correctly answer these questions. These fact-checking questions required participants to accurately identify job-titles and company names listed in job applicants’ previously held jobs. Two-hundred seventy-five participants (slightly less than 70%) correctly answered all fact-checks; and thus, our hypothesis-tests pertain to these participants’ evaluations. In Table 1, we show the results of *t* test comparisons regarding the eliminated versus retained managers. These two groups did not significantly differ except for age and years of working experience, for which there is a difference of insignificant magnitude.

INSERT TABLE 1 ABOUT HERE

Table 2 provides descriptive statistics about the participants of our experiment and Table 3 provides the variable correlation matrix. As Table 2 shows, our experiment participants have the following characteristics: 59% are male; 78% are Caucasian; their age averages 43 years; their work experience averages 16 years¹; their average number of direct reports is 8 or more; 48% have past or current work experience in the high-tech sector; and 30% are located in one of the entrepreneurial hub states (California, Massachusetts, New York, New Jersey and Pennsylvania), which are defined by the intensity of their venture financing activities [Florida, 2018]). The participants in our experiment also come from firms of a variety of sizes. With regard to functional backgrounds, 28% of our participants represent R&D and technology, and others represent the functional areas of operations and logistics, management, HR and training, sales and marketing, finance and accounting, and other areas. With regard to the industry sector, our study-participants report working in consumer/retail/hospitality (17%), technology (14%), manufacturing (10%), finance (9%), health (9%), and energy/construction (6%).

INSERT TABLES 2 & 3 ABOUT HERE

General Procedure

¹ The averages for participants’ age and years of work experience may be even higher, as we have set the topmost category of 51 or above for age and 20 years or more for experience.

Via online survey-instructions, all participants were told that their task during this study was to evaluate four different résumés of job applicants for a managerial-level job-position and to decide who, among these applicants, was their top choice. As such, in our research design, all study participants are “job recruiters” and each résumé they evaluated represents a “job applicant.”

For all four résumés, we kept uniform the following pieces of information: (1) the length of their most recently held job (2.5 years), (2) the number of past jobs (three), (3) the order of past jobs so that these were ordered from most-to-least-recent, and (4) the years of their accumulated work experience (8.5 years). Additionally, in all four résumés, the information shown as part of applicants’ most recent job contained the experimental treatment-manipulation (described below). After reading all four résumés, each of which was presented on a separate computer screen, all study-participants answered questions about the work histories of the job applicants whose résumés they just read, and then responded to the question: “Of the four job applicants, who do you think is best for the job?” Importantly, “the job” was described in all experimental conditions to be one relating to a position of “Global Initiative Manager” in which the employee would need to: (i) provide support for departments and work on tasks associated with the global initiatives of the organization such as internal communication, community engagement, content development, and data analysis, and (ii) generate knowledge associated with global initiative management.

All participants answered questions about their own demographic background, location, employment history, job characteristics, employer characteristics and entrepreneurial aspirations. These questions occurred in the survey’s last section and were preceded with a reminder that all participants’ characteristics would be reported in the aggregate so that no personal identity could be linked to participants’ survey-responses. Following this section, all study-participants advanced to a screen thanking them for participating in this study.

Procedure for Creating Objectively Identical Résumés as Experimental Stimuli

To ensure that the substance of the four résumés that we randomly distributed to each manager participating in our study would be objectively similar, we took four steps. First, we obtained résumés from 95 real job applicants, all of whom were MBA graduates with 5-10 years of full-time work experience. Second, in order to disguise the identity of the original “owner” of any of these 95 résumés, we scrambled the substance associated with this set of 95 résumés (e.g.,

the name of the job applicant, the name of any degree-conferring institutions associated with the job applicant, the name of the job applicant’s previous employing organizations). That is, we replaced the name of an educational institution with another one that is proximate in locality and ranking (e.g., replacing UC-Berkeley with UCLA), replaced the name of employers on the résumés with firms of similar size, location and industry (e.g., replacing Apple with Google), and changed the year/date associated with any degree and employment span.

Third, we obtained ratings of these résumés’ similarity to each other by a separate group of “judges” – 335 senior-level undergraduate business students who were unfamiliar with this study’s hypotheses, all of whom were recruited by SONA, participated outside of class-time, received this similarity-rating task by someone other than their instructor, and were incentivized to participate by earning course-credit. More specifically, to make this similarity-rating task manageable, each judge received only four pairs of résumés that were randomly selected from the population of 95 résumés and instructed to choose the pair of résumés from the set that were most similar to each other. Each pair of résumés was coded “1” when a judge selected it as the most similar in the set and was coded “0” when a judge did not select it as such. This procedure yielded a 95 x 95 matrix containing these pairwise coding. For example, if résumé #3 had been picked as most similar to résumé #8 by five of the judges, then the row-3-column-8 cell in the matrix would appear as 5; if #3 and #8 had never been picked by any of the judges, this cell would be recorded as 0. Next, we calculated geodesic distance-scores based on these positive integer (or zero) entries in this 95 x 95 matrix for all possible pairs of résumés in our list using the UCINET software (version 6; Borgatti et al., 2002). This software captures the number of geodesic (i.e., shortest length) paths from pairs of résumés (akin to “nodes”) in social network analysis. The score captures the number of steps that it takes one node to travel to another in the matrix. The shorter the path, the shorter the geodesic distance and, thus, the more similar that pair of nodes. After plotting the geodesic distance-scores, we selected for our experiment’s “résumé-templates” the four résumés that were closest to each other (which means these four résumés were more similar to each other than they were to any other résumé in the matrix). These four résumé-templates became the basis for our experimental manipulation, which is explained in the next section.

Fourth, to further eliminate any unintended substantive-effects associated with differences across the résumés that were unrelated to our experimental treatment, we randomly

assigned the order by which the four résumés were provided to each manager-participant in our experiment. This randomization ensures that any given résumé-template does *not* have a systematically higher (or lower) likelihood of being selected as top choice for hire due to its position among the four résumés presented to our study's participants.

Experimental Manipulation

As noted in our General Procedure above, the substance pertaining to our experimental treatment-manipulation was contained in all applicants' most recently held job. In the *Entrepreneurship Condition*, the job applicant's résumé contained the role as a "Founder" or "Co-Founder" next to the job stated as most recently held and contained job responsibilities corresponding to a founder position, such as hiring a management team, securing funding, developing new business partners, etc. In contrast, in the *non-Entrepreneurship Condition*, the job applicant's résumé contained the role of a corporate executive (e.g., chief operation officer) and contained job responsibilities corresponding to this, such as hiring and training key management team members, developing new product solutions, optimizing operating procedures, etc. For each of the four résumé templates we used in the experiments, the name and location of the company associated with the most recently held job were the same across founder and executive conditions. An example of *Entrepreneurship Condition* versus *non-Entrepreneurship Condition* manipulations in one of the four résumé-templates is provided in the Appendix. Importantly, no company name used as the most recent-held job, such as that shown in the Appendix, appeared more than once across the four résumés.

Although not our main variable of interest, we also manipulated the job applicant's name to be either typically male or typically female. We did this in case the entrepreneurship penalty-effect might be more likely to occur for one gender versus the other, as shown in Kacperczyk & Younkin (2022). The job applicant's résumé started with a typically male name at the top (i.e., Evan, Jason) in the *Male job applicant Condition*, and started with a typically female name at the top (i.e., Mary, Colleen) in the *Female job applicant Condition*.

To summarize, each participating manager in our experiment was asked to evaluate a set of four résumés comprised of: (1) a *male* whose most-recent job was being an *entrepreneur (founder)*, (2) a *female* whose most-recent job was being an *entrepreneur (founder)*, (3) a *male* whose most recent job was being a *non-entrepreneur* (i.e. an executive), and (4) a *female* whose most recent job was being a *non-entrepreneur* (i.e. an executive). These manipulations were

randomly applied to the four résumé-templates derived from the procedures described in the previous section. As such, any given résumé-template among the four used in this study had equal likelihood of being a post-entrepreneur or non-entrepreneur whose gender was male or female.

In all of our models, we found gender had no interaction effect with an applicant’s entrepreneurship job history on his or her odds of being favored for hire. This finding contrasts with the experimental finding of Kacperczyk & Younkin (2022), which reported women post-entrepreneurs incur less penalty when compared to men post-entrepreneurs. Yet, our finding of a non-significant gender effect is consistent with the experimental finding of Botelho & Chang (2023). We suspect that differences in experimental setups (e.g., resume templates, experimental procedure) may explain the difference in our finding and in Kacperczyk & Younkin (2022)’s. Ultimately, we believe gender appears to be a factor that requires more similar studies to offer empirical evidence to ascertain its effect on post-entrepreneurial outcomes.

Since gender is not our theoretical interest in this paper and also had no influence of any kind, in all of our hypothesis-tests we treat the applicant’s gender as a control variable and, thus, focus our attention on how job applicants’ (presence or absence of) entrepreneurship experience affects their probability of being selected as a top-choice for hire and how differences across recruiters moderate the above relationship.

Measures

Our dependent variable is an indicator that *a job applicant is selected as the top-choice for hire*. Job recruiters (study participants) indicated their top job applicant-choice by answering the question “Of the four job applicants, who do you think is best for the job?” We coded a job applicant’s résumé with a “1” when it had been named as the top choice; and coded it “0” when this did not occur.

Our predictor variables include the following:

Job applicants’ entrepreneurship experience. This variable was coded “1” versus “0” when the job applicant’s most recently held job was titled as a “Founder” versus “Executive,” respectively.

Recruiter’s entrepreneurial aspiration. Job recruiters (study participants) indicated their entrepreneurial aspiration by answering this survey question: “How strongly have you considered starting your own company?” The anchors they used to answer this were “Not at all”,

“Modestly”, “Strongly”, and “Constantly,” which we coded “1,” “2,” “3,” and “4,” respectively. For robustness, we also coded recruiters’ entrepreneurial aspiration as “absent” (or “0”) when recruiters chose “not at all” as their aspiration-level; and coded their entrepreneurial aspiration as “present” (or “1”) when they chose any other scale-choice since this indicated they had contemplated becoming an entrepreneur at some point during their career.

Recruiter’s firm size. Job recruiters (study participants) indicated their firm size by answering this survey question: “Which category below best reflects the approximate number of employees working at your firm?” Their categorical options were: 1-100, 101-500, 501-1000, 1001-5000, or above 5,000. For robustness, we also treated the firm size categories as a quasi-continuous variable to run tests relating to firm size. Specifically, we median-coded a participant’s firm size with the median-value of his or her firm-size-category choice. For example, the median-value of 50 was assigned to participants who chose the category of 1-100 for their firm-size, and the median-value of 250 was assigned to participants who chose the category of 101-500, etc. (Results were unchanged when this coding used each firm size-category’s lowest or highest value.)

Control Variables. We measured and controlled for variables that seem likely to influence job recruiters’ selection decision outside of the variables of theoretical interest to us. Specifically, we included in our models the recruiter-qualities based on the control variables used in past archival studies of entrepreneurs’ earnings and career outcomes (e.g., Baptista et al., 2012; Bruce & Schuetze, 2004; Hyytinen & Rouvinen, 2008; Kaiser & Malchow-Møller, 2011). These include recruiter demographics such as age, ethnicity (Caucasian or not), and gender; and recruiters’ work-related variables such as their years of work experience, number of direct reports, functional area, and employment industry sector. In addition, to proxy for broader environmental influence that may play a role in recruiters’ attitude about entrepreneurship (Saxenian, 1996), we controlled for whether or not the recruiter has past or current experience working in the technology-related industry, and whether or not the recruiter is located in one of the entrepreneurial-hub states (California, Massachusetts, New York, New Jersey and Pennsylvania, based on Florida [2018]).

Analytical Model

Our experiment asked 275 participating recruiters to choose one job applicant (résumé) as the top hiring candidate from a set of four job applicants (résumés), which were based on

objectively identical templates that had been randomly assigned to one of the four manipulation conditions (male-entrepreneur, female-entrepreneur, male-non-entrepreneur, female-non-entrepreneur). As such, the experimental outcomes we analyzed in the models were recruiters' (study-participants') hiring decisions on the 275 x 4 (1,100) job applicants (résumés).

We used two sets of models in our analyses. First, we analyzed the probability a given job candidate (résumé) would be hired by a given job recruiter (study-participant) with logit regressions, which is an appropriate model for dichotomous dependent variables. This logit estimation used pooled cross-sectional data structure. The advantage of this estimator is that it enables us to explicitly model and obtain estimates for the effects of recruiter-level variables such as recruiters' own entrepreneurial aspirations and their employer-firm size, in which we have theoretical interest. These two theoretically important variables need to be independent of each other for our hypotheses' testing. As can be seen in Table 3, there is indeed no significant inter-correlation between them.

Second, as a robustness check, we also tested our hypotheses using conditional logit regression estimator, which is considered more rigorous and conservative due to the inclusion of recruiter fixed effects (for an elaboration of this point, see Zhang et al., 2017, p. 1372, footnote 15). Other scholars have also used conditional logit estimator under similar circumstances (Moreno & Terwiesch, 2014). The disadvantage of the conditional logit estimator is that the main effects of recruiter-level variables (e.g., a recruiter's employer-firm size and own entrepreneurial aspiration) cannot be estimated.

RESULTS

Entrepreneurship-experience Penalty

Consistent with our baseline expectation and shown in Table 4's Column 1 (showing the results of logit regression which includes all control variables) and Column 2 (showing the results of the more conservative test using conditional logit regression), we found that job applicants with entrepreneurship experience had a significantly lower probability of being selected as a top-ranked choice for hire compared to applicants without entrepreneurship experience. More specifically, as can be seen in Table 4's Column 1, a job applicant's probability of being favored as a top-choice for hire is lower by 29% ($= \exp[-0.340]-1$, in percentage form) when she *has* entrepreneurship history compared to when she lacks this history, all else equal. As can be seen in Table 4's Column 2 (which reports conditional logit estimation,

and thus cannot also include control variables), a job applicant's probability of being selected as a top-choice for hire is lower by 23% ($= \exp[-0.256]-1$, in percentage form) when she *has* entrepreneurship history compared to when she lacks this history, all else equal. These two identical patterns both support our expected baseline of an entrepreneurship-penalty effect.

INSERT TABLE 4 ABOUT HERE

Moderating Effect of Recruiters' Entrepreneurial Aspirations

Consistent with Hypothesis 1 and shown in Tables 5A and 5B (showing the results of logit regression and conditional logit, respectively), we found that the entrepreneurship-experience penalty is weaker when job recruiters have (rather than lack) aspirations to become an entrepreneur. More specifically, as seen in Column 1 of Table 5A and depicted in the far left panel of Figure 1 more prominently than in the other panels, when the job recruiter has no entrepreneurial aspiration at all, a post-entrepreneur job applicant's probability of being favored as a top-choice for hire is lower by 60% ($= \exp[-0.921]-1$, in percentage form) than a non-entrepreneur's; and this penalty does not occur when recruiters have modest to constant entrepreneurial aspirations, as seen in Table 5A's Columns 2, 3, and 4. This pattern of results is validated in Table 5A's columns 5 and 6, in which we see a statistically significant two-way interaction of job applicants' entrepreneurship experience and job recruiters' entrepreneurial aspiration (as a scale in column 5 ($0.272, p < .05$) and as an indicator variable in column 6 ($0.773, p < .05$)).

As shown in Table 5B, which reports conditional logit regression results following the same model structure as in Table 5A, the patterns above repeat. These findings support Hypothesis 1's prediction that the entrepreneurship-experience penalty weakens for job recruiters who have aspired to be entrepreneurs and strengthens for job recruiters who lack this aspiration.

INSERT FIGURE 1 AND TABLES 5A & 5B ABOUT HERE

The Contextualizing Effect of Firm Size

Consistent with Hypothesis 2 and shown in Tables 6A and 6B (showing the results of logit regression and conditional logit, respectively), we found that the moderating effect of recruiters' entrepreneurial aspiration on the entrepreneurship-experience penalty (reported

above) differed for recruiters working in smaller versus larger firms, in the predicted direction. More specifically, the penalty-reducing effect of the entrepreneurially-oriented recruiter is stronger for recruiters in smaller-sized firms and, conversely, is weaker for recruiters in larger-sized firms. The results of Table 6A are rendered in Figure 2. The right panel of Figure 2, which pertains to recruiters with entrepreneurial aspirations, shows no penalty for post-entrepreneur job applicants assigned by entrepreneurially-oriented recruiters in firms with less than 1,000 employees. Entrepreneurially-oriented recruiters in firms larger than 1,000 employees still assign penalty to post-entrepreneur job applicants, particularly when the recruiters are working for firms with more than 5,000 employees. The left panel of Figure 2, which pertains to recruiters without entrepreneurial aspirations, shows no consistent pattern of penalty-reduction by recruiters in firms of various sizes; the non-entrepreneurially-oriented recruiters appear to assign penalty to post-entrepreneur job-applicants in both small and large firms. These findings support Hypothesis 2’s prediction that the weakening of the entrepreneurship-experience penalty for job recruiters with entrepreneurial aspiration is stronger for recruiters in small (rather than large) firms.

INSERT FIGURE 2 AND TABLE 6A & 6B AND ABOUT HERE

Mechanisms Underlying the Recruiter Effect

To explore potential mechanisms that may underly recruiters’ evaluation of post-entrepreneurs, we collected new data. Specifically, in October 2022 we recruited 325 undergraduate students who are junior or senior level business majors in an east-coast state university. Students were recruited via the SONA system and were awarded course credits for participating in the survey-experiment. Via computer-instructions, all participants were told to rank-order two job-applicants on a variety of dimensions based solely on information extracted from their resumes. All participants were presented the resume segment of two job applicants, one featuring that of a post-entrepreneur’s (founder’s resume) and the other featuring that of a non-entrepreneur’s (executive’s resume). These resume segments were all randomly drawn from the resumes we used in our main experiment described above. All participants rank-ordered the two job applicants along the following evaluative dimensions with regard to who was: (a) more competent, (b) a better leader, (c) more impactful, (d) more trustworthy, (e) more likely to be a committed employee to an organization, and (f) more successful. We chose these dimensions

based on the reasons we presented earlier about why recruiters or employers likely feel more uncertain when evaluating post-entrepreneurs rather than non-entrepreneurs. For example, if an entrepreneur's broader skill set relative to a non-entrepreneur's causes people to perceive entrepreneurs to lack mastery over anything specific, hence to be relatively unprepared, this ought to lead to lower perceived competence on the part of entrepreneurs relative to non-entrepreneurs. We also collected information on the participant's entrepreneurial orientation. To capture entrepreneurial orientation, we asked participants the following question: "How strongly have you considered working for a startup as an intern or after graduation?" Our choice of this question for this study's participants is due to their not having, as our main experiment's participants did, 7 years of full-time work experience and because, as Sorenson et al. (2021) suggested, startup employees (which many college students consider becoming) are "proto-founders" (p.588). Participants responded to the latter question with a 5-point Likert scale where 1 equals not at all and 5 equals extremely strongly.

We estimated a logit model of the effect of a participants' entrepreneurial orientation (on a scale of 1 to 5, with 5 being the strongest) on participants' likelihood, for each evaluative dimension, of more highly ranking the post-entrepreneur (over the non-entrepreneur) job applicant. Results are reported in Table 7. As can be seen there, the attributes for which the more entrepreneurially-oriented participants ranked post-entrepreneurs more highly were: (1) competence; (2) leadership ability; and (3) impactfulness. These findings suggest that the more favorable evaluations of post-entrepreneur job candidates by the more entrepreneurially-oriented managers participating in our main experiment may be due to their perceiving post-entrepreneurs relative to non-entrepreneurs to have higher levels of competence, leadership ability, and impactfulness.

The data from this study also reveal no significant correlation between extent of entrepreneurial orientation of a participant (resume evaluator) and her likelihood of rating a post-entrepreneur job candidate as more trustworthy, more committed as a potential employee, or more successful. This suggests to us that a participant's (evaluator's) entrepreneurial orientation does not seem to influence her evaluation of a job candidate along these dimensions, whether or not the candidate is a post-entrepreneur. As such, at the recruiter level, these dimensions—perception of trustworthiness, commitment and successfulness—do not appear to be the mechanisms underlying the moderating effect of recruiters' entrepreneurial orientation on job

applicants’ entrepreneurship-experience penalty.

DISCUSSION

Taken together, our findings lead us to make three key conclusions. First, we confirm the existence of a “*entrepreneurship-penalty effect*.”—that job applicants whose work history includes (rather than excludes) being an entrepreneur have lower probability of being selected as a top-choice for hire on the wage labor market. Second, the likelihood of the entrepreneurship-penalty effect occurring depends, at least in part, on characteristics of *job-recruiters*— one of which pertains to their entrepreneurial aspiration and another of which relates to the size of their employing firm. More specifically, the entrepreneurship-penalty effect is more likely to occur when post-entrepreneur job applicants are assessed by job recruiters who themselves *lack* the aspiration to become entrepreneurs. As a general trend, the higher the job recruiter’s own entrepreneurial aspiration, the less severe a penalty she will assign to a post-entrepreneur job candidate. In addition, the penalty-moderating effect of job recruiter’s own entrepreneurial aspiration is constrained by the firm she works for—the penalty-reduction effect of a more entrepreneurially-oriented recruiter is strengthened when she works for a smaller-sized firm but weakened when she works for a larger-sized firm. Theoretical and practical implications of these conclusions are discussed next, each in turn.

Theoretical Implications

Perhaps the strongest theoretical implication of our conclusions regards the need for studies of post-entrepreneurship phenomena to *include* individual-level factors associated with employer-side decision makers (e.g., wage-payers and job recruiters). As fundamental as this may seem, the majority of studies examining post-entrepreneurship phenomena, because they are based on archival data, have excluded individual-level characteristics associated with the employer-side decision-makers who directly interact with and evaluate the post-entrepreneurs. Such studies have thus been unable to empirically demonstrate, as our study has, that the tendency of job recruiters’ penalty against job applicants with (rather than without) entrepreneurship experience is not constant. Rather, the extent of penalty depends on whom a firm sends to participate in the recruiting effort.

Until now the majority of the explanations that have been offered for wage penalty associated with having entrepreneurship experience have been largely devoid of reasons relating

to qualities of employer-side decision-makers such as job recruiters. The explanations thus far, particularly those from an economics perspective, attribute post-entrepreneurs' lower earnings more to factors related to the job applicants' ability and employment history. Such explanations, our findings suggest, need to be nuanced to reflect factors relating to *both* sides of hiring decisions—namely, the employer (or recruiter) as well as the job-applicants. Our theorizing as well as experiment-based research design pushes the theoretical envelope toward this two-sided exchange-based focus.

Another important theoretical implication of our research relates to the importance of researching on employment outcomes of post-entrepreneurs (i.e., being hired or being favored for hire). While earning is a theoretically important factor for understanding entrepreneurship, employment outcome of individuals with entrepreneurship experience is undeniably a related factor that should not be ignored by the literature. Indeed, research of post-entrepreneurship employment and earnings outcome can complement each other. For example, with respect to firm size, both our experimental study and Baptista et al.'s (2012) archival-data-based study (using Portuguese longitudinal matched employer–employee data between 1986 and 2003) observed a tendency of smaller firms favoring post-entrepreneurs. On the other hand, Mahieu et al.'s (2021) study of Belgium employer-employee matched data find that post-entrepreneurs suffer a larger extent of wage penalty (compared to non-entrepreneurs) when they are hired by smaller-sized employers. We suspect there is an intricate relationship between firm size, preference for post-entrepreneur job candidates and pay. There is a possibility that firms may be strategically exploiting sub-segment labor pool's odds of being favored for hiring. On the one hand, the more diverse skill set of entrepreneurs (relative to non-entrepreneurs) is probably attractive to small firms. Yet, because in the broader labor market post-entrepreneurs incur more penalty in terms of their hiring appeal, entrepreneurs likely have less ability to negotiate for higher pay even in the small firms that may want to hire them (compared to non-entrepreneurs whose greater hiring appeal in the broader labor market likely gives them more competing job offers). Therefore, these two counterforces may explain the seemingly contradictory findings across the above studies that post-entrepreneurs are both more likely favored hiring targets by smaller firms *and* penalized more by smaller firm in terms of pay-level. As such, our study underscores the necessity of understanding both employment patterns (including at the phase of making hiring-related evaluations by recruiters) and earnings outcome of post-entrepreneurs.

Practical Implications

A key practical implication of our findings is that post-entrepreneurs can take actions to weaken their likelihood of being harshly evaluated by recruiters in the wage labor market. For example, during the job search it is strategically important for post-entrepreneurs to consider not only what type of job to seek on the wage labor market, but also what type of recruiters they may be facing when they attempt to get selected for that job. This suggests, too, the need for publicly available archival data regarding job-availabilities to ideally include information about *job-recruiters*— minimally, their firm’s size, the firm’s support of entrepreneurship activities in the local community or beyond, and the extent (if any) of entrepreneurship of the firms’ employees (including representatives who are serving as recruiters).

From an organizational perspective, our findings suggest there is a need for organizations (particularly larger ones) to include biases against post-entrepreneurs as part of training programs whose purpose is to reduce decision-making biases in their employee selection activities; such a bias is excluded from typical diversity and inclusion-enhancing initiatives (Farh et al., 2021). This would be particularly important for large organizations seeking entrepreneurially-oriented, or highly innovative, new-hires. Our findings suggest that large organizations may risk losing the entrepreneurial-type job candidates they wish to hire if, during the selection- and hiring-process, they do not proactively train recruiters to become aware of, and then to reduce, a bias against post-entrepreneur job candidates.

If the actions we describe above are indeed taken due to our findings informing job seekers, job recruiters, and organizations’ top managers of their necessity, then an ultimate practical implication of this paper is its *lessening the perceived risks of becoming an entrepreneur and, thereby also, encouraging more individuals to become entrepreneurs*. As a result, our findings may serve as the foundation for formulating policies to boost the rate of entrepreneurship, which are much needed given the persistent downward trend of entrepreneurship over the past two decades revealed in recent statistics (Ewing Marion Kauffman Foundation et al., 2017).

Limitations of our Study and Future Research Needs

As with all studies, ours is not without limitations. One potential limitation is the fact that study participants were engaged in hypothetical job candidate-evaluations—a necessity given that they were participants in an experiment. The hypothetical nature of the job candidate-

evaluation task may have led to evaluations that might not actually occur if these evaluations had actual real-world consequences. Future research is needed to test the generalizability of our findings observed under experimental conditions; and hopefully, our findings will inspire tests of our findings' generalizability to indeed occur.

A second potential limitation of our study is that despite our substantial efforts to make the experimental stimuli (i.e., the resumes for entrepreneurs and non-entrepreneurs) objectively identical, this stimuli may nevertheless have had some differences that might have created the significant patterns we observed in our data. We use this to explain the need, therefore, for future research to build on our study-design in ways that further eliminate rival explanations for our findings.

A third potential limitation of our paper is that we conducted a supplemental study that is separate from our main experiment to explore (evaluative) mechanisms underlying recruiters' effect on entrepreneurship-experience penalty. Conducting this supplemental study separately from our main experiment was necessary for two reasons. First, our main experiment was designed to test our theoretical model. Second, the cognitive demands of our main experiment were quite high and consumed nearly an hour of participants' time; lengthening this to include questions about evaluative comparisons across four job-applicants risks cognitively fatiguing those participants and thereby harming the quality of collected data. This is why in our supplemental study for collecting evaluation-comparisons for job-candidates who are a post-entrepreneur versus non-entrepreneur, we limited this comparison to only two job-applicants. Nevertheless, our collecting evaluative comparisons in a supplemental study that is separate from the data we collected in our strongly internally-valid main experiment prevents us from conducting a full-mediation analysis of the mechanism-related variables. This is why we presented our findings regarding how evaluations of job candidates differ when the candidates have versus lack entrepreneurship experience as supplemental, or exploratory.

Tests of our findings' generalizability could involve replicating our experimentally controlled observations with more diverse samples and/or utilizing archival data whose variables include attributes relating to, *both*, job applicants (with and without past entrepreneurship experience) and job recruiters (with and without entrepreneurship aspirations and representing firms of varying sizes). For example, future studies with matched applicant-to-recruiter (employer) data will ideally also test for mechanisms that can explain why the entrepreneurship-

penalty effect may be stronger for larger rather than smaller firms, such as the organizational culture-related differences we theorized may differ for firms at these two extremes.

Additionally, there is need in future studies aiming to test our findings’ generalizability to include macro-level (firm-level) variables *in addition to individual-level variables*— hence for *multi-level* research designs. This multi-level approach may also promise the opportunity to identify more dimensions relating to organizational characteristics that may enable or constrain individual recruiter effects. For example, we have focused on firm size, yet other firm characteristics may also influence recruiter effect. This includes firm age (young of old) and maybe firm culture. Obtaining both levels of variables is difficult in archival-based studies and difficult in experimental studies lacking a real organizational context; and therefore, there is need to improve on both the archival data-analytic approaches and experimental approaches examining post-entrepreneurship phenomena.

Our finding regarding the recruiter moderating effect of entrepreneurship-experience penalty, in particular, needs more empirical studies with a more diverse sample to confirm its external validity. For example, recruiters’ entrepreneurial orientation may imply different ways of evaluating a post-entrepreneur in different regions of the world. Our test has used U.S. managers and, thus, is heavily influenced by how U.S. entrepreneurially-oriented individuals believe and act. While we have investigated the scope condition for recruiter effect as relating to the size of firms, there may be other scope conditions (e.g., recruiter’s organizational roles) that may shape the intensity of the recruiter effect. As such, we caution over-interpretation of our results as we believe that generalizability of our finding relating to the recruiter-effect needs to be subject to more empirical tests in diverse settings.

Future studies will ideally be inspired by all of our findings, including the supplemental ones, and build on them by acting on all of our future research suggestions—ideally with research designs that also enable internal validity to be as strong as possible (which was a key goal in study). Future studies that build on ours in these ways promise to sharpen much-needed understanding about when and why the entrepreneurship experience penalty occurs.

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Table 1 Difference Between Subset of Participants Excluded from vs. Included in Analyses

Participant subset:	Included	Excluded	diff	<i>t</i>
	mean	mean		
Female (Yes=1)	0.41	0.39	0.02	0.39
Caucasian ethnicity (Yes=1)	0.78	0.79	-0.01	-0.15
Age	43.0	44.7	-1.67	-2.29*
Years of work experience	16.4	17.6	-1.12	-2.56*
Number of direct reports	7.63	7.51	0.12	0.40
Has experience in high-tech sector (Yes=1)	0.48	0.40	0.08	1.58
Located near entrepreneurship hub (Yes=1)	0.30	0.31	-0.01	-0.14
Functional area – HR/training	0.08	0.03	0.05	1.77+
Functional area – operations/logistics	0.20	0.16	0.04	0.96
Functional area – sales/marketing	0.09	0.10	-0.01	-0.21
Functional area – finance/accounting	0.07	0.07	0.004	0.15
Functional area – management	0.17	0.15	0.03	0.70
Functional area – R&D/technology	0.28	0.37	-0.08	-1.64
Functional area – other	0.10	0.13	-0.03	-0.95
Employment industry – professional services	0.02	0.04	-0.02	-1.32
Employment industry – consumer/retail/hospitality	0.17	0.17	0.003	-0.09
Employment industry – energy/construction	0.07	0.04	0.02	0.98
Employment industry – finance	0.09	0.08	0.01	0.31
Employment industry – health	0.09	0.12	-0.03	-1.07
Employment industry – technology-related	0.14	0.11	0.02	0.67
Employment industry – manufacturing	0.10	0.09	0.01	0.27
Employment industry – utilities/transportation	0.03	0.03	-0.01	-0.40
Employment industry – other	0.31	0.31	0.0001	0.003
N	275	123		

Table 2 Characteristics of Job Recruiters (Experiment Participants) in Analyses

	mean	s.d.	min	max
<i>Predictor Variables</i>				
Recruiter's entrepreneurial aspiration (in ordinal scale)	2.353	1.044	1	4
Recruiter has entrepreneurial aspiration (> Scale-1)	0.753	0.432	0	1
Scale-1 Entrepreneurial aspiration: not at all	0.247	0.432	0	1
Scale-2 Entrepreneurial aspiration: moderately	0.335	0.473	0	1
Scale-3 Entrepreneurial aspiration: strongly	0.236	0.426	0	1
Scale-4 Entrepreneurial aspiration: constantly	0.182	0.386	0	1
Firm size (as quasi-continuous variable)	2,180	3,163	5	10,001
Firm size category 1 (1-100 employees)	0.229	0.421	0	1
Firm size category 2 (101-500 employees)	0.218	0.414	0	1
Firm size category 3 (501-1,000 employees)	0.185	0.389	0	1
Firm size category 4 (1,001-5,000 employees)	0.207	0.406	0	1
Firm size category 5 (> 5,000 employees)	0.160	0.367	0	1
<i>Control Variables</i>				
Female (Yes=1)	0.411	0.493	0	1
Caucasian ethnicity (Yes=1)	0.782	0.414	0	1
Age	43.03	6.666	28	51
Years of work experience	16.44	4.195	8	20
Number of direct reports	7.629	2.705	3	10
Has experience in high-tech sector (Yes=1)	0.484	0.501	0	1
Located near entrepreneurial hub (Yes=1)	0.302	0.460	0	1
Functional area – HR/training	0.080	0.272	0	1
Functional area – operations/logistics	0.204	0.403	0	1
Functional area – sales/marketing	0.091	0.288	0	1
Functional area – finance/accounting	0.069	0.254	0	1
Functional area – management	0.175	0.380	0	1
Functional area – R&D/technology	0.284	0.452	0	1
Functional area – other	0.098	0.298	0	1
Employment industry – professional services	0.018	0.134	0	1
Employment industry – consumer/retail/hospitality	0.167	0.374	0	1
Employment industry – energy/construction	0.065	0.248	0	1
Employment industry – finance	0.091	0.288	0	1
Employment industry – health	0.087	0.283	0	1
Employment industry – technology-related	0.138	0.346	0	1
Employment industry – manufacturing	0.098	0.298	0	1
Employment industry – utilities/transportation	0.025	0.158	0	1
Employment industry – other	0.309	0.463	0	1

There are 275 participants reviewing 1,100 job applicants (résumés).

Table 3 Job Recruiter (Participants)-level Variable Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Firm size (quasi-continuous)	1											
(2) Entrep. aspiration (ordinal)	-0.070	1										
(3) Female (Yes=1)	-0.068	-0.056	1									
(4) Caucasian ethnicity (Yes=1)	-0.023	-0.134	0.030	1								
(5) Age	-0.005	-0.171	-0.073	-0.046	1							
(6) Years of work experience	0.018	-0.154	-0.052	0.019	0.637	1						
(7) Number of direct reports	0.058	0.132	-0.033	-0.007	-0.016	-0.104	1					
(8) Has experience in high-tech sector (Yes=1)	0.023	0.336	-0.024	-0.053	-0.191	-0.191	0.114	1				
(9) Located near entrep. hub (Yes=1)	0.087	0.036	-0.082	0.021	-0.090	-0.091	-0.042	0.030	1			
(10) Functional area–HR/training	0.033	-0.087	-0.028	0.058	0.029	0.030	-0.039	-0.151	0.040	1		
(11) Functional area–operations/logistics	-0.058	0.002	-0.019	0.005	0.107	0.092	-0.018	0.035	-0.096	-0.149	1	
(12) Functional area–sales/marketing	-0.005	-0.034	0.070	-0.109	0.052	-0.024	0.053	-0.028	0.013	-0.093	-0.160	1
(13) Functional area–finance/accounting	0.037	-0.023	0.035	0.005	0.033	0.078	0.032	-0.034	0.040	-0.080	-0.138	-0.086
(14) Functional area–management	-0.149	0.010	0.122	0.011	-0.054	-0.025	0.127	-0.158	-0.031	-0.136	-0.233	-0.145
(15) Functional area–R&D/technology	0.097	0.027	-0.099	0.059	-0.024	-0.044	-0.051	0.198	-0.045	-0.186	-0.318	-0.199
(16) Functional area–other	0.066	0.076	-0.052	-0.062	-0.145	-0.096	-0.104	0.048	0.156	-0.097	-0.167	-0.104
(17) Industry–professional services	-0.086	0.058	-0.003	0.006	-0.017	0.025	-0.193	-0.023	0.029	0.060	0.066	0.052
(18) Industry–consumer/retail/hospitality	-0.034	-0.030	0.081	-0.094	0.160	0.084	0.134	-0.161	-0.061	-0.096	0.161	0.129
(19) Industry–energy/construction	-0.121	0.150	-0.012	0.069	-0.081	-0.049	0.080	-0.050	0.018	-0.078	0.012	-0.084
(20) Industry–finance	0.202	-0.107	-0.136	0.014	-0.017	0.100	0.043	-0.028	0.068	0.047	-0.097	-0.056
(21) Industry–health	-0.050	-0.142	0.161	-0.055	0.010	-0.038	0.014	-0.067	-0.063	0.004	-0.060	0.037
(22) Industry–technology-related	-0.005	0.047	0.030	0.110	-0.132	-0.158	-0.011	0.329	-0.240	-0.079	-0.098	-0.017
(23) Industry–manufacturing	-0.046	-0.053	0.023	0.115	-0.073	-0.052	-0.068	-0.026	0.156	0.263	-0.076	-0.104
(24) Industry–utilities/transportation	-0.005	0.012	-0.088	-0.026	0.020	0.016	0.065	0.028	-0.006	0.037	0.090	0.110
(25) Industry–other	0.057	0.076	-0.079	-0.085	0.062	0.058	-0.101	-0.018	0.109	-0.052	0.033	-0.020

Table 3 Job Recruiter (Participants)-level Variable Correlation Matrix (Continued)

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
(13) Functional area – finance/accounting	1												
(14) Functional area – management	-0.125	1											
(15) Functional area – R&D/technology	-0.171	-0.289	1										
(16) Functional area – other	-0.090	-0.152	-0.208	1									
(17) Industry–professional services	-0.037	-0.063	-0.025	-0.045	1								
(18) Industry–consumer/retail/hospitality	-0.122	0.051	-0.109	-0.050	-0.061	1							
(19) Industry–energy/construction	0.044	0.033	0.029	0.012	-0.036	-0.119	1						
(20) Industry–finance	0.363	-0.112	0.054	-0.104	-0.043	-0.142	-0.084	1					
(21) Industry–health	-0.033	0.129	-0.109	0.071	-0.042	-0.139	-0.082	-0.098	1				
(22) Industry–technology-related	-0.109	0.010	0.286	-0.132	-0.055	-0.180	-0.106	-0.127	-0.124	1			
(23) Industry–manufacturing	-0.042	-0.055	0.064	-0.027	-0.045	-0.148	-0.087	-0.104	-0.102	-0.132	1		
(24) Industry–utilities/transportation	-0.044	-0.074	-0.051	-0.053	-0.022	-0.072	-0.043	-0.051	-0.050	-0.065	-0.053	1	
(25) Industry–other	0.004	0.003	-0.124	0.202	-0.091	-0.300	-0.177	-0.212	-0.207	-0.268	-0.221	-0.108	1

N = 1,100

Table 4 Effect of Job Applicant's Entrepreneurship Experience on Probability of Being Favored for Hiring

	(1) Logit	(2) Conditional Logit
Applicant has entrepreneurship experience (Yes=1)	-0.340* (0.162)	-0.256* (0.122)
Female applicant (Yes=1)	-0.167 (0.163)	-0.124 (0.121)
<i>Recruiter controls</i>		
Female (Yes=1)	0.0004 (0.002)	
Caucasian Ethnicity (Yes=1)	-0.001 (0.002)	
Age	-0.00004 (0.0001)	
Years of work experience	-0.0001 (0.0002)	
Number of direct reports	-0.0001 (0.0003)	
Has experience in high-tech sector (Yes=1)	0.0002 (0.002)	
Located near entrepreneurial hub (Yes=1)	-0.002 (0.002)	
Recruiter functional area fixed effect	Yes	
Recruiter employment industry fixed effect	Yes	
Résumé template fixed effect	Yes	Yes
Constant	-0.733 (0.171)	
Observations	1,100	1,100
Log-likelihood	-612.8	-376.9
Chi2	36.05	8.675

Note: (1) Reports logit model estimates (in model 1) and conditional logit model estimates (in model 2) of effect of having entrepreneurship experience on résumé on a job applicant's probability of being chosen by a job recruiter as top candidate to hire. (2) Column 1 controls for applicant's gender on résumé and recruiter (participant) characteristics; Recruiter functional area and recruiter employment industry sector are controlled for in the models in the form of fixed effects, though detailed estimates for them are not reported in columns 1 and 2 to reduce table length (these estimates are available upon request). (3) Column 2 does not include recruiter controls as the conditional logit model removes recruiter level heterogeneity with recruiter fixed effects. (4) Robust standard errors in parentheses, clustered around recruiter. (4) $^+ p < 0.1$, $^* p < 0.05$, $^{**} p < 0.01$.

Table 5A Logit Model Estimates of Job Applicant’s Entrepreneurship Experience on Probability of Being Favored for Hiring, Broken Down by Recruiter’s Entrepreneurial Aspiration

	(1)	(2)	(3)	(4)	(5)	(6)
	Recruiter’s entrepreneurial aspiration rating					
	Scale-1	Scale-2	Scale-3	Scale-4	Full	Full
	Not at all	Moderately	Strongly	Constantly	Sample	Sample
Applicant has entrep. experience (Yes=1)	-0.921**	-0.161	-0.333	0.080	-0.983**	-0.927**
	(0.340)	(0.281)	(0.341)	(0.393)	(0.398)	(0.336)
Recruiter entrep. aspiration (in ordinal scale)					-0.127+	
					(0.072)	
Applicant has entrep. experience (Yes=1)					0.272+	
× Recruiter entrep. aspiration (in ordinal scale)					(0.154)	
Recruiter has entrep. aspiration (>“Not at all”)						-0.340
						(0.159)
Applicant has entrep. experience (Yes=1)						0.773*
× Recruiter has entrep. Aspiration (>“Not at all”)						(0.384)
Female applicant (Yes=1)	0.013	-0.121	-0.105	-0.601+	-0.168	-0.168
	(0.339)	(0.281)	(0.341)	(0.395)	(0.163)	(0.163)
<i>Recruiter controls</i>						
Female (Yes=1)	0.004	-0.0005	0.003	0.008	0.001	0.001
	(0.010)	(0.001)	(0.005)	(0.016)	(0.002)	(0.002)
Caucasian ethnicity (Yes=1)	-0.006	0.001	0.003	-0.004	0.001	-0.001
	(0.023)	(0.003)	(0.007)	(0.013)	(0.002)	(0.002)
Age	0.001	0.0001	-0.0003	-0.0004	0.0002	0.0001
	(0.002)	(0.0002)	(0.001)	(0.001)	(0.0003)	(0.0002)
Years of work experience	-0.002	-0.0001	0.0004	0.002	-0.001	-0.0004
	(0.004)	(0.0003)	(0.001)	(0.003)	(0.001)	(0.0004)
Number of direct reports	-0.001	0.00001	0.0003	-0.002	-0.0002	-0.0003
	(0.001)	(0.0001)	(0.001)	(0.004)	(0.0004)	(0.0004)
Has experience in high-tech sector (Yes=1)	0.006	0.0002	0.002	0.015	0.003	0.002
	(0.015)	(0.002)	(0.005)	(0.022)	(0.003)	(0.003)
Located near entrepreneurial hub (Yes=1)	0.006	-0.0001	-0.015	-0.011	0.0001	0.001
	(0.014)	(0.002)	(0.020)	(0.016)	(0.003)	(0.003)
Recruiter functional area fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Recruiter employment industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Résumé template fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.335	-0.915	-0.993	-0.603	-0.440	-0.475
	(0.317)	(0.303)	(0.400)	(0.372)	(0.237)	(0.198)
Observations	272	368	260	200	1,100	1,100
Log-likelihood	-146.7	-206.3	-143.0	-109.2	-610.8	-610.1

Note: (1) Reports logit model estimates of effect of having entrepreneurship experience on résumé on a job applicant’s probability of being chosen by a recruiter as top candidate to hire, broken down by a recruiter’s entrepreneurial aspiration. (2) Columns 1-4 perform split sample regressions separately for recruiters with different level of entrepreneurial aspiration as indicated in the header; columns 5 and 6 perform pooled sample analysis with indicator for applicant’s entrepreneurship experience interacting with recruiter entrepreneurial aspiration variables. (3) Recruiter functional area and recruiter employment industry sector are controlled for in the models in the form of fixed effects, though detailed estimates for them are not reported in columns 1 and 2 to reduce table length (these estimates are available upon request). (4) Robust standard errors in parentheses, clustered around recruiter. (4) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$.

Table 5B Conditional Logit Model Estimates of Job Applicant's Entrepreneurship Experience on Probability of Being Favored for Hiring, Broken Down by Recruiter's Entrepreneurial Aspiration

	(1)	(2)	(3)	(4)	(5)	(6)
	Recruiter's entrepreneurial aspiration rating					
	Scale-1	Scale-2	Scale-3	Scale-4	Full	Full
	Not at all	Moderately	Strongly	Constantly	Sample	Sample
Applicant has entrep. experience (Yes=1)	-0.693**	-0.121	-0.251	0.060	-0.744*	-0.705**
	(0.263)	(0.211)	(0.256)	(0.291)	(0.305)	(0.260)
Applicant has entrep. experience (Yes=1) × Recruiter entrep. aspiration (in ordinal scale)					0.206+	
					(0.117)	
Applicant has entrep. experience (Yes=1) × Recruiter has entrep. aspiration (>"Not at all")						0.589*
						(0.296)
Female applicant (Yes=1)	0.010	-0.090	-0.078	-0.453	-0.125	-0.125
	(0.248)	(0.210)	(0.252)	(0.301)	(0.121)	(0.121)
Observations	272	368	260	200	1,100	1,100
Résumé template fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Log-likelihood	-89.63	-127.1	-87.77	-66.83	-375.4	-374.8
Chi2	10.49	0.838	4.636	4.064	11.62	12.86

Note: (1) Reports conditional logit model estimates of effect of having entrepreneurship experience on résumé on a job applicant's probability of being chosen by a recruiter as top candidate to hire, broken down by a recruiter's (participant's) own entrepreneurial aspiration. (2) Columns 1-4 perform split sample regressions separately for recruiters with different level of entrepreneurial aspiration as indicated in the header; columns 5 and 6 perform pooled sample analysis with indicator for applicant's entrepreneurship experience interacting with recruiter entrepreneurial aspiration variables. (3) Robust standard errors in parentheses. (4) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$.

Table 6A Logit Model Estimates of Moderating Effect of Recruiter’s Entrepreneurial Aspiration, Broken Down by Firm Size

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Firm Size (by Number of Employees)					Full sample	Full sample
	1-100	101-500	501-1,000	1,001-5,000	Above 5,000		
Applicant has entrepreneurship experience (Yes==1)	-2.885*	-0.860	0.00001	-0.0003	-1.496+	-1.450*	-1.010*
	(1.201)	(0.682)	(0.822)	(0.811)	(0.765)	(0.738)	(0.435)
Recruiter has entrep. aspiration (>“Not at all”)	-0.882	-0.561	-0.110	0.192	-0.178	-0.827	-0.506*
	(0.549)	(0.372)	(0.474)	(0.446)	(0.329)	(0.525)	(0.203)
Applicant has entrep. experience	2.796*	1.176+	0.193	-0.450	0.491	1.890*	1.126*
× Recruiter has entrep. aspiration	(1.265)	(0.676)	(0.929)	(0.913)	(0.943)	(0.848)	(0.493)
Firm size (ordinal)						-0.067	
						(0.085)	
Applicant has entrep. experience						0.171	
× Firm size (ordinal)						(0.218)	
Recruiter has entrep. aspiration × Firm size (ordinal)						0.167	
						(0.106)	
Applicant has entrep. experience × Recruiter has entrep.						-0.384+	
aspiration × Firm size (ordinal)						(0.226)	
Large firm (Firm size above 1,000)							-0.083
							(0.268)
Applicant has entrep. experience							0.207
× Large firm							(0.682)
Recruiter has entrep. aspiration							0.443
× Large firm							
							(0.321)
Applicant has entrep. experience							-0.988
× Recruiter has entrep. aspiration × Large firm							(0.788)
Constant	0.048	-0.244	-0.956+	-0.907+	-0.705	-0.260	-0.437
	(0.326)	(0.496)	(0.514)	(0.526)	(0.574)	(0.300)	(0.672)
Observations	252	240	204	228	176	1,100	1,100
Control Variables included	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Resume template fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Functional area fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Employer industry sector fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Log-likelihood	-134	-126.1	-112.7	-124.0	-91.25	-608.1	-607.4

Note: (1) Reports logit model estimates of a job applicant’s probability of being chosen by a recruiter as top candidate to hire, broken down by a recruiter’s firm size. (2) Columns 1-5 perform split sample regressions separately for recruiters employed at different sized firms as indicated in the header; columns 6 and 7 perform pooled sample analysis with three-way interactions of (ordinal) firm size (model 6) and dichotomous firm size (above 1,000 employees or not), applicant’s entrepreneurship experience and recruiter entrepreneurial aspiration. (3) All models include the same set of controls as in Table 5A. (4) Robust standard errors in parentheses. (4) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$.

Table 6B Conditional Logit Model Estimates of Moderating Effect of Recruiter's Entrepreneurial Aspiration, Broken Down by Firm Size

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Firm Size (by Number of Employees)					Full sample	Full sample
	1-100	101-500	501-1,000	1,001-5,000	Above 5,000		
Applicant has entrepreneurship experience (Yes==1)	-2.296*	-0.614	-0.000	0.000	-1.118+	-1.112+	-1.010**
	(1.074)	(0.497)	(0.609)	(0.603)	(0.598)	(0.580)	(0.385)
Applicant has entrep. experience	2.231*	0.838	0.143	-0.338	0.377	1.444*	1.126**
× Recruiter has entrep. aspiration	(1.113)	(0.585)	(0.689)	(0.681)	(0.727)	(0.660)	(0.434)
Applicant has entrep. experience						0.132	
× Firm size (ordinal)						(0.170)	
Applicant has entrep. experience × Recruiter has entrep.						-0.294	
aspiration × Firm size (ordinal)						(0.198)	
Applicant has entrep. experience							0.160
× Large firm (firm size > 1,000)							(0.525)
Applicant has entrep. experience							-0.750
× Recruiter has entrep. aspiration × Large firm							(0.604)
Observations	252	240	204	228	176	1,100	1,100
Control Variables included	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Resume template fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Log-likelihood	-81.47	-76.55	-69.17	-75.82	-55.26	-373.3	-372.8
Chi2	8.694	13.72	2.826	6.602	10.83	16.18	16.96

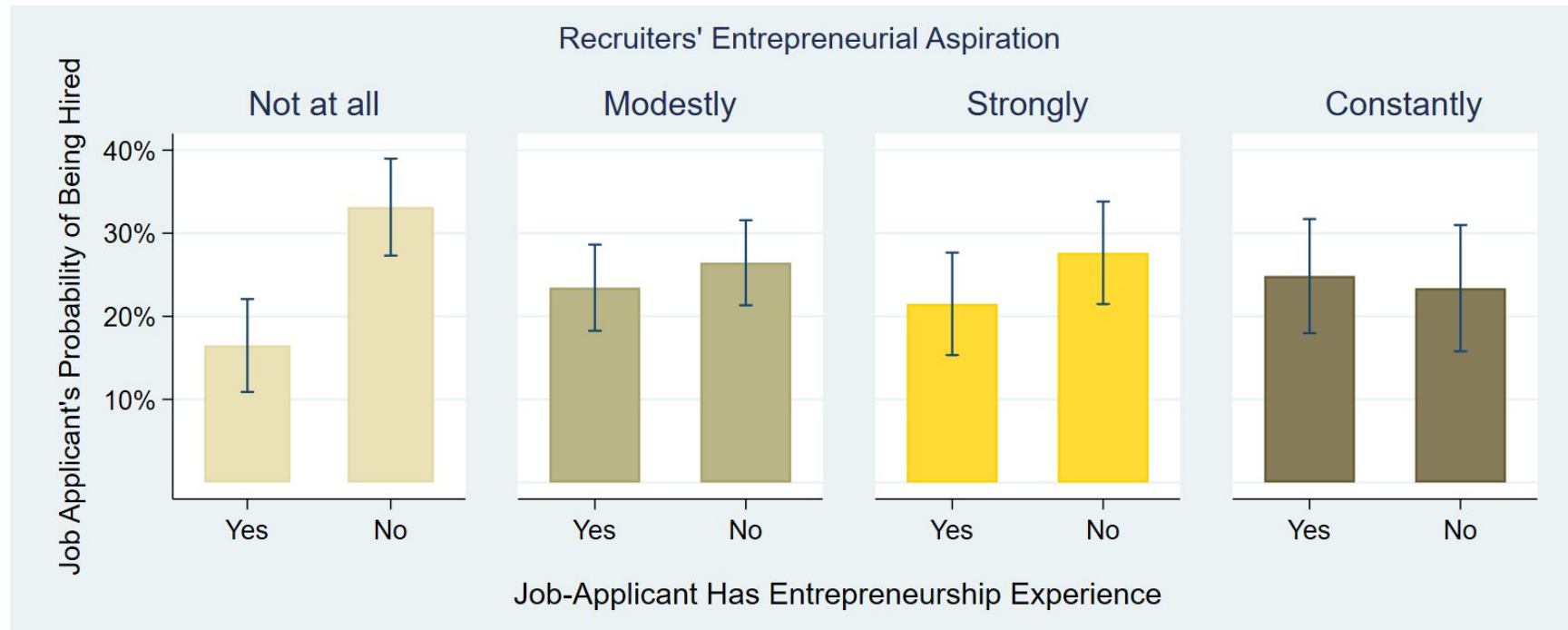
Note: (1) Reports conditional logit model estimates of a job applicant's probability of being chosen by a recruiter as top candidate to hire, broken down by a recruiter's firm size. (2) Columns 1-5 perform split sample regressions separately for recruiters employed at different sized firms as indicated in the header; columns 6 and 7 perform pooled sample analysis with three-way interactions of (ordinal) firm size (model 6) and dichotomous firm size (above 1,000 employees or not), applicant's entrepreneurship experience and recruiter entrepreneurial aspiration. (3) All models include the same set of controls as in Table 5B. (4) Robust standard errors in parentheses. (4) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$.

Table 7 Effect of Respondent’s Entrepreneurial Orientation on the Evaluation of Founders
Relative to non-Founders

DV: Founder resume rated as	(1) More competent	(2) A better leader	(3) More impactful	(4) More trustworthy	(5) More committed	(6) More successful
Evaluator’s Entrepreneurial orientation	0.242* (0.117)	0.272* (0.127)	0.386** (0.129)	0.055 (0.115)	0.041 (0.115)	0.094 (0.152)
Women	0.049 (0.225)	-0.530* (0.246)	0.031 (0.250)	-0.125 (0.224)	0.013 (0.225)	0.563+ (0.306)
Non-Caucasian	-0.039 (0.226)	0.278 (0.247)	-0.213 (0.251)	-0.060 (0.224)	0.086 (0.225)	-0.298 (0.301)
Constant	-0.650+ (0.394)	0.149 (0.421)	-0.122 (0.426)	0.008 (0.389)	0.061 (0.391)	1.215* (0.511)
Log-likelihood	-222.85	-196.44	-190.36	-224.68	-223.03	-145.51
Chi2	0.21	0.02	0.02	0.88	0.97	0.21

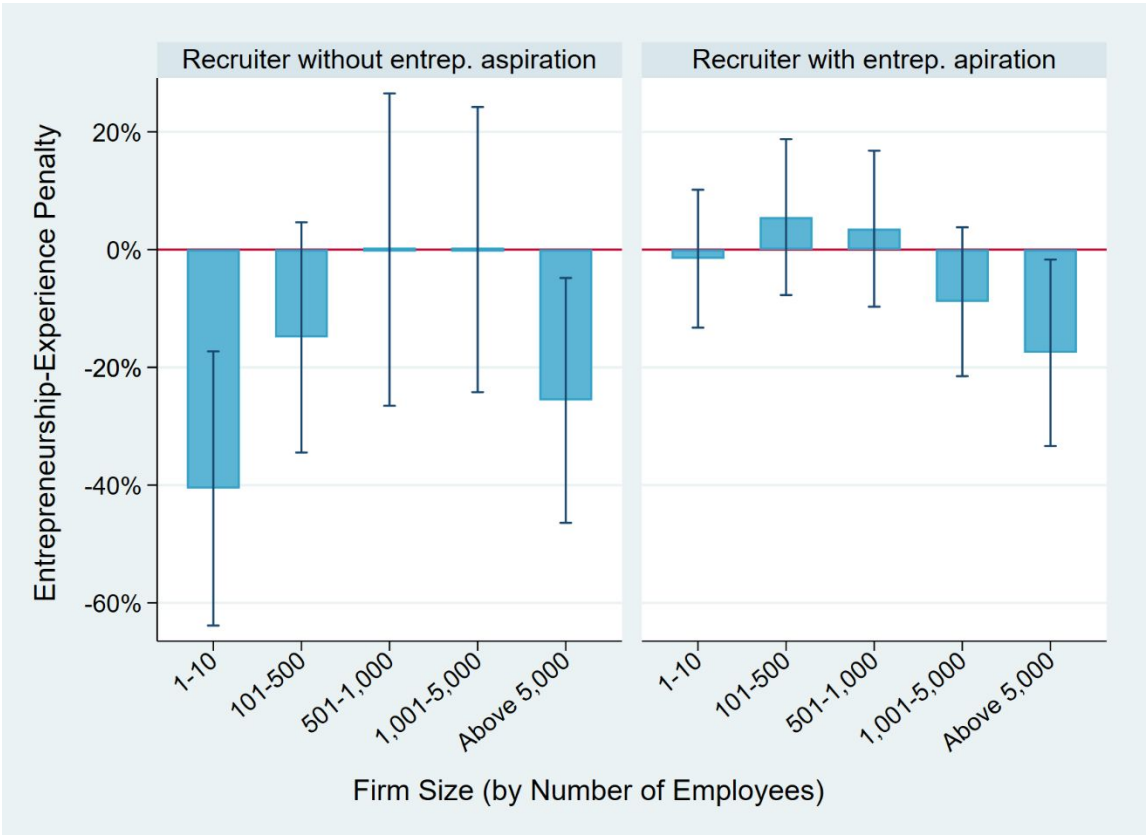
Note: (1) Reports logit model estimates of the probability that a respondent rates a founder’s resume higher along the dimension indicated in column heading (than a non-founder’s resume). (2) + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$. (3) Number of observations is 325.

Figure 1 Job Applicants' Probability of Being Favored for Hiring, Broken down by Their Entrepreneurship Experience and Job Recruiter's Entrepreneurial Aspiration



Note: The panels compare the probability that a job applicant with versus without entrepreneurship experience is being chosen as a favored hiring candidate by a job recruiter of a given entrepreneurial aspiration category, as indicated in the panel heading. This figure is based on the estimates for “Applicant has entrepreneurship experience” variable reported in columns 1-4 of Table 5A.

Figure 2 Entrepreneurship Experience Penalty by Job Recruiter's Entrepreneurial Aspiration and Firm Size



Note: Figure compares the entrepreneurship-experience penalty (i.e., the gap of being chosen as a favored hiring target between job applicants with versus without entrepreneurship experience) inflicted by different types of job recruiters, broken down by recruiter's own entrepreneurial aspiration and recruiter's employer firm size. This figure is based on estimates in model 6 of Table 6A.

Appendix. An Example of Entrepreneur/Non-Entrepreneur Manipulations in Résumés
(Note: These manipulations differed only in terms of the applicant's last-held job's title and key responsibilities, gray highlighted below; applicant's name is fictitious.)

EVAN STILLER

EDUCATION

University of California, Los Angeles	Expected 2018
• M.B.A. Candidate, Anderson School of Management	
New York University	2010
• B.A. in Economics	

EXPERIENCE

Entrepreneur manipulation highlighted in gray

THE MEDIA ADVISORY GROUP, Los Angeles, CA	2016 to 2018
Founder	
This is a financial and strategic advisory firm specializing in media and entertainment industries	
Key Responsibilities:	
• Developed new clients, communicated with clients before, during and after projects	
• Secured funding for the operations of the firm	
• Hired executives for key positions	
• Trained and managed 10+ employees to maximize efficiency and project turnaround	
Key Accomplishments:	
• Completed over 50 financial and strategic advisory projects for private and public media and entertainment companies; notable projects include:	
○ Valuation of the DreamWorks library on behalf of private equity acquirers	
○ Valuation of BMG's catalogue of music publishing rights	
○ Valuation of Youbet.com, a publicly traded online gambling company	

Non-entrepreneur manipulation highlighted in gray

THE MEDIA ADVISORY GROUP, Los Angeles, CA	2016 to 2018
Chief Operations Officer	
This is a young financial and strategic advisory firm with 10+ employees established in 2016, specializing in media and entertainment industry	
Key Responsibilities:	
• Communicated with clients to collect requirements and present findings	
• Trained and managed project teams to maximize efficiency and project turnaround	
• Hired key employees for the firm	
• Developed methods to optimize operational process of project deliveries	
Key Accomplishments:	
• Completed over 50 financial and strategic advisory projects for private and public media and entertainment companies; notable projects include:	
○ Valuation of the DreamWorks library on behalf of private equity acquirers	
○ Valuation of BMG's catalogue of music publishing rights	
○ Valuation of Youbet.com, a publicly traded online gambling company	

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MEDIAVAST, INC., New York, NY 2014 to 2016
Manager

- Managed a team focusing on market research on competing companies and targeted mobile partners in various markets for JV partnerships and on analyzing research reports and current mobile news.
- Managed negotiations to form JV partnerships with several US and international mobile content distribution companies.
- Managed relationships with distribution partners to create, promote and launch new mobile applications. Worked with creative teams in content delivery. Efforts resulted in launching three additional applications.
- Participated in mobile phone model releases events engaging celebrities such as Jessica Simpson, Ashlee Simpson and Avril Lavigne.
- Established and managed over \$2 million P&L statement, which has been an instrumental tool to review partners' value, to monitor progress and/or declines of all mobile deals.
- Prepared materials for board meetings; analyzed quarterly mobile results, forecast earnings and edited all divisions' board materials.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP, Washington, DC 2010 to 2014
Legal Assistant

- Participated in the \$70 million acquisition of Paravant Inc. by DRS Technologies, Inc. Created target company's company profile by analyzing company's financials, by-laws, articles of incorporation and proxy statement, and assisted in making closing books.
- Managed drafting Stock Purchase, Employment, Non-Competition and Merger Agreement for a potential \$25 million merger for a subsidiary of one of the world's largest realty companies. Provided research reports on State Laws and Company by-laws, executed and verified attorneys' modifications to agreements and participated in team meetings.
- Prepared closing room and closing sets for an investment management company seeking to issue common shares to public. Organized and indexed documents and certificates and assembled closing books to be distributed to clients and attorneys. Worked with client teams to manage and facilitate the completion of all outstanding IT project issues.

Dear Prof. Elfenbein,

I and my co-authors sincerely thank you for giving us the opportunity to revise our manuscript (SEJ-21-4252), entitled “Are Entrepreneurs Penalized during Job Searches? It Depends on Who is Hiring,” for the *Strategic Entrepreneurship Journal*. Additionally, we appreciate the clear and thoughtful guidance you provided in your letter as well as the many great paper-strengthening ideas provided by our reviewers. After incorporating nearly all of these suggested changes, we believe our paper’s contribution is far stronger and hope you and the reviewers will see this to be the case, too.

Our paper’s key changes are the following:

1. With regard to our need to better connect with extant literature, we agree with you that the works our referees recommended to us are indeed highly relevant to the penalty encountered by post-entrepreneurs. Incorporating these articles into our literature review and theory-building enabled us to more clearly identify: (a) what is and is *not* known about the entrepreneurship-experience penalty, and (b) how our paper addresses the gaps. We have re-written our introduction section by more directly grounding our research questions in the recent development on the return to entrepreneurship literature and have made sure to incorporate into our literature review and theory-building all of the relevant references suggested by you and our referees.

2. With regard to what is unique about our paper, we agree with you that our paper’s key distinction from previous examinations of the penalty for post-entrepreneurs is its focus on the role of *individual job-recruiters’ heterogeneity* in shaping the entrepreneurship experience-penalty. As such, we have acted on your advice to emphasize this focus throughout our paper and have achieved this in two ways.

First, given the extant literature on return on entrepreneurship, we now treat the entrepreneurship-experience penalty as our “baseline expectation” upon which we build our theory that centers around the preferences of individual recruiters as a key influence on when the entrepreneurship experience-penalty is more versus less likely to occur. In doing this, we add a social psychological perspective to the mostly macro-oriented (archival-based) literature on the entrepreneurship penalty-effect. This theoretical approach offers a unique explanation for how entrepreneurship penalty may vary across different types of recruiters.

Secondly, we have motivated our focus as a response to two notable gaps in the extant literature: (a) the tendency of past studies of the entrepreneurship experience-penalty to overlook how this penalty may be influenced by characteristics associated with *individual job-recruiters*; and (b) the inability of archival-based studies of the entrepreneurship experience-penalty to isolate demand (recruiter)-side factors from supply (applicant)-side factors. We thus have articulated in the revised paper that we have added a unique perspective that addresses entrepreneurship-experience penalty at the *individual* recruiter level, and that we have done this through an experimental design that helps isolate supply- from demand-side factors.

3. With regard to our need to improve on our grounding of the theory, in our revised paper, we have added to the social cognition theories we refer to when describing preferences of individual job recruiters that likely strengthen or weaken the occurrence of the entrepreneurship experience-penalty. The theorizing we have added comes from scholars who have studied the entrepreneurship experience penalty. This new theorizing—seen in our revised paper on page 5—pertains, first, to five reasons why job-recruiters likely have more uncertainty about how to evaluate post-entrepreneurs rather than non-entrepreneurs, and then to the likelihood that greater uncertainty about how to evaluate post-entrepreneurs lowers the probability that recruiters will choose post-entrepreneurs as their top-choice job candidate. Our need to retain, also, the social cognition theories is because we refer to them when explaining individual job-recruiter preferences (such as recruiters’ own entrepreneurial aspirations) that seem likely to weaken or strengthen the entrepreneurship experience-penalty.

3. With regard to our need to pay particular attention to the comments of R1.2, R2.4, and R2.5, we have paid attention to all comments, especially these—all of which regard the need for us to rule out rival explanations for our findings. Toward this goal, we have collected additional data that enables us to rule out the rival explanation of a “failure penalty” as opposed to an “entrepreneurship penalty”; and we have collected additional data that enables us to illuminate possible evaluation biases against post-entrepreneurs (*such as whether they are perceived relative to non-entrepreneurs to have less appealing work-related qualities by evaluators with varying levels of entrepreneurial orientations*). Please see page 19-20 for a description of these findings.

4. With regard to our need to tighten the exposition and make our Results section easier to follow, we have done this. More specifically, we have removed any thoughts that were redundant or unrelated to our paper’s focus and have added sub-headings in our Results to better organize their presentation.

5. In addition to acting on your four requested changes (enumerated above), we have added into our Discussion section the limitations of our paper as well as future research needs that get illuminated by them, which if acted on promises to ensure continued research on the understudied effects of job-recruiters’ influence on the entrepreneurship experience-penalty.

Thanks so much for helping us strengthen this paper in many ways (*and for also giving us the time-extension we needed to act on all suggested changes, including data-collection*)! We continue to think our paper’s substance promises to be of great interest to the readership of *SEJ* (especially to post-entrepreneurs who are a sizeable number of our population); and we hope you will agree!

With sincere thanks,

The Author Team
(*names removed to protect the double-blind review process*)

Response to Reviewer 1

You stated:

Summary: This paper examines experimentally whether recruiters discount past entrepreneurial experience when workers apply for a job. The results show that recruiters favor resumes of applicants without entrepreneurial experience over observationally equivalent resumes but that do indicate the applicant was the founder of a firm right before applying to a job. This effect is more pronounced when the recruiter has no entrepreneurial aspirations, and when the firm (s)he works for is large (+5000 employees).

I would like to commend the authors on conducting a carefully designed experimental study on the returns to entrepreneurial experience, thereby adding to prior observational work on this topic. In particular, this paper highlights the role of demand-side (recruiting firm) factors that may drive the mainly negative returns to entrepreneurship that other papers have found, and which you also replicate. I have read the paper with great interest and I believe it contains the necessary ingredients to make a valuable contribution to the literature. However, I have major concerns regarding framing as well as (theoretical) contribution. I have listed the points that I deem critical under "Essential Points." I have also listed some suggestions which are less essential but may help in reshaping the paper. Good luck!

Response:

We greatly appreciate your saying that you believe our paper "...contains the necessary ingredients to make a valuable contribution to the literature." Thank you so much for your encouraging comments on the potential contributions of our paper. We also deeply appreciate your clear instructions on how we can strengthen our paper's framing and theoretical contribution. Below please find our response to each of the points raised in your review.

You stated:

Essential Points

1. *While I agree with the authors that the literature on the returns to entrepreneurial experience in the labor market is far from mature, I believe they disregard several (recent) studies that have contributed to our understanding of this phenomenon. In particular, I urge the authors to take a look at the papers by Kacperczyk & Younkin, 2021; Mahieu, Melillo, Reichstein, & Thompson, 2019; Mahieu, Melillo, & Thompson, 2021; Merida & Rocha, 2021. I think that a more direct positioning in the introduction of the paper against these studies will help in crystalizing the exact contribution of this paper to the literature. A couple of suggestions here: most of these papers use archival data to examine wage outcomes of post-entrepreneurs and similar wage workers without entrepreneurial experience. While these papers try to address the various selection issues, they typically acknowledge the observed wage outcomes are the result of a non-random matching process. Hence, understanding how and why matches are formed is crucial. This likely depends both on supply- and demand-side factors, as already proposed in Mahieu et al. (2021). The problem these non-experimental studies face is that they cannot completely disentangle the supply from the demand side effects, as workers do not apply at random and – at the same time - employers don't hire at random. With the*

experimental setup you have, you can effectively hold constant the supply side, thereby allowing to look at how variation in the demand side (employer characteristics) matter. To the best of my knowledge, the only two published experimental studies on this topic by Koellinger, Mell, Pohl, Roessler, & Treffers (2015) and Kacperczyk and Younkin (2021) mainly investigate the impact of supply side factors (entrepreneurs' gender in the case of the latter). They also find the penalty effect (lower callback rate) , but do not look directly at employer characteristics.

Response:

Thank you for alerting us to these recent papers relevant to our topic and for providing your thoughtful suggestions for how we can better position our paper. As you have pointed out, the research relating to the negative return of entrepreneurship experience is vibrant and has seen a surge of scholastic interest over the past couple of years. In this revision, we have incorporated all these references you have suggested to us and have followed your suggestions for reframing our paper. More specifically, to incorporate your suggestions, we have done the following:

- (1) We have re-written our introduction section by directly grounding our research inquiry against recent studies regarding the return to entrepreneurship literature and, aided by this backdrop, crystalized more clearly (in ways explained next) how our paper contributes to this literature;
- (2) We have motivated our focus as a response to two notable gaps in the extant literature: (a) the tendency of past studies of the entrepreneurship experience-penalty to overlook how this penalty may be influenced by characteristics associated with *individual job-recruiters*; and (b) the difficulty for archival-based studies of the entrepreneurship experience-penalty, which comprise the bulk of studies examining this, to isolate demand (recruiter)-side factors from supply (applicant)-side factors. Relevant discussion is on pages 1-2 of our revised manuscript.
- (3) We have clarified in our revised Introduction as well as in our revised Discussion that our paper addresses the limitations in the extant literature (noted above and in our paper as “gaps”) in several ways—namely: (a) by illuminating *individual* job-recruiter preferences, such as their own entrepreneurial aspirations, as a key influence on how post-entrepreneurs are evaluated as job-applicants and, thus, as a key determinant of when the entrepreneurship experience-penalty will be stronger versus weaker; (b) by empirically testing the entrepreneurship experience-penalty by including among other things *individual recruiter-level measures* in our study design; (c) by using an experimental design that enables supply-side (job applicant) versus demand-side (job-recruiter) influences to be kept distinct from each other; and (d) by adding a social psychological perspective to the mostly macro-oriented (archival-based) literature on the entrepreneurship penalty-effect. Relevant discussion is on pages 2-3 in our Introduction section and on pages 21-22 in our Discussion section.

Again, we deeply appreciate your clear and thoughtful guidance, which we have followed in this version.

You stated:

2. *On the mechanism: I am not convinced that the similarity-attraction mechanism you propose is the one driving your findings, especially for the results on firm size. According to your theory, we should expect a linear negative effect of firm size on the likelihood of former entrepreneurs being favored by recruiters. This is not what you find. In fact, the results shown in Figure 2 indicate that former entrepreneurs are penalized in the smallest¹ and largest firms, although the effect is stronger for the latter. There is no observable penalty in medium-sized firms (101-5000 firms). Yet, it is hard to argue that firms with 4000 employees have a low level of bureaucracy. This finding appears to be inconsistent with the mechanism you propose that mainly revolves around the notion that larger firms are more bureaucratic and therefore recruiters from these firms will penalize entrepreneurial experience because entrepreneurs do not “fit” in such environments. Next, it is important to note that there is non-random selection of recruiters into firms. In your setting, it is highly likely that recruiters with entrepreneurial aspirations have selected into smaller firms, because of reasons explained for example in Elfenbein, Hamilton, & Zenger (2010) (the correlations table indeed confirms this notion). This opens up the possibility that another (unobserved) factor, correlated with entrepreneurial aspirations and firm size, might explain your findings. For example, it might simply be that individuals with entrepreneurial aspirations select into firms with an “entrepreneurial culture.” Hence, even within the group of small firms there might be differences in culture which may drive your findings. I was wondering whether you could crudely check this by including firm age as a variable and see whether there are differences between young and small firms (startups) vs. old and small firms. Taken together, while I’m not unsympathetic to the mechanism you propose, there are many alternative interpretations which you currently do not (or cannot) rule out, which significantly lowers the theoretical contribution of your paper.*

Response:

This comment made us realize that it is indeed difficult to make a clear directional prediction about how a job recruiter’s firm-size *by itself* will influence the way the recruiter evaluates entrepreneurs. For this reason, in our revised paper we have removed this main-effect hypothesis of firm size.

However, we kept the recruiter-firm-size interaction hypothesis (now our Hypothesis 2), which is about the joint effect of recruiters’ entrepreneurship aspirations and firm size because we believe that individual recruiters’ actions are constrained by the organizations (firms) they work for. Job recruiters typically evaluate job applicants *for their organization* they work for; as such, characteristics of the employing organization likely influence how strong a role individual recruiters can play in the evaluation process of post-entrepreneurs.

And firm size is an important characteristic for assessing such constraints, for two reasons. First, the role each individual recruiter can play in hiring decisions varies with firm size. Smaller firms usually have a nimbler hiring-decision structure, thus allowing a bigger role of individual recruiters. Larger firms usually have a more complex and bureaucratic hiring process, which limits the role of individual recruiters. Second, when recruiters evaluate job candidates *with an eye for person-organizational fit*, the lack of alignment they may see between the typical strengths of entrepreneurs and their organization’s culture and structure

will probably undercut any positive evaluation of entrepreneurially-oriented recruiters. We discuss these points in more details on pages 8-9 of our revised paper.

We fully agree with you that firm size can be proxies of many things—hierarchy, culture, etc. It is not a perfect measure for sure. However, firm size is an important measure that has been featured prominently in prior entrepreneurship studies (cf., Sørensen, 2007; Elfenbein et al., 2010) and has strong theoretical underpinnings relating to the characteristics of the job positions being typically offered and the type of human capital required for job candidates. This is the reason we included the question of employer (job recruiters’ firm) size in our original research design. In hindsight, we now see that we can benefit from asking about firm age as well, as you have asked for. Yet, regretfully this measure is not among our experiment’s measured variables. We now note in a “Limitations of our Study and Future Research Needs” section within our revised Discussion section the need to include firm age in future studies regarding the entrepreneurship experience-penalty (please see page 25). Thanks for suggesting this.

You stated:

3. *Your dependent variable is the likelihood that a recruiter finds a certain individual most suited for a job based on his/her resume. However, throughout the paper you often refer to this as “the probability of being hired” which is not what you measure. This might seem like a small difference, but it is important that we are correct in stating what we actually measure. In this case, you are not measuring the likelihood of being hired, but the likelihood that a recruiter favors one resume over another. It is, for example, possible that even though a candidate is not seen as the most favorable based on his/her resume, (s)he might still be invited for a job talk because employers invite more than one candidate. In this sense, can you really talk of a “penalty”?*

Response:

We appreciate this point. As you requested, we have changed the wording in the entire empirical portion of our paper to be “probability of being selected as the top-choice for hire.” In addition, we have also changed the wording in our baseline expectation to be: “*Job applicants with rather than without entrepreneurship experience have a lower probability of being selected by job-recruiters as a top-ranked choice – hereafter called “the Entrepreneurship Experience-Penalty Effect.”*” These changes allow us to match the variable names we used with the actual tasks assigned to our experimental participants.

However, in the front end of our revised paper (prior to our Method section) when we are reviewing general theories and findings associated with the entrepreneurship penalty effect that guide our baseline expectation and hypotheses, we have kept the general term of “probability of being hired.” This enables us to be consistent with the terminology used in existing literature. For example, both Kacperczyk & YOUNKIN (2022) and Botelho & Chang (2023) used experiments that tracked call-backs from employers, which are not exactly hiring decisions, but both of these papers referred to their measured phenomenon as “hiring” and explained this as due to call-backs being the gateway for hiring.

You stated:

4. *Right now, the results section lacks structure, which makes it difficult for the reader to follow what exactly you are testing. At least add subtitles.*

Response:

We have revised our results section to make sure each test is explicitly linked to its associated prediction; and have added subheadings that match each test. Thanks for suggesting this.

You stated:

Suggestions

5. *Mahieu et al. (2019) also look at whether the earnings penalty varies by employer size, and find a larger negative effect when entrepreneurs move to small firms. They interpret this in an uncertainty framework, where small employers face larger (relative) firing costs when a new hire turns out to be a bad match. It would be interesting to understand how you can reconcile your findings with theirs.*

Response:

This is indeed an interesting question to think about. First, in this version of the paper we have changed the framing and corresponding empirical tests such that we dropped the original hypothesis regarding the main effect of firm size on entrepreneurship-experience penalty. Thus, we no longer predict an effect of solely firm size on the entrepreneurship-experience penalty. Instead, we examine firm size as a contingent factor that describes the scope condition for recruiter's moderating effect of entrepreneurship-experience penalty.

Your comment here has helped us revise our "Theoretical Implications" section in our Discussion (on pages 22-23). Specifically, we now point out the seemingly-contradictory findings about smaller-firms' preference for hiring post-entrepreneurs and smaller firms' penalizing post-entrepreneurs more on wage. We believe this points to the importance of a more integrative approach to the examination of post-entrepreneurship outcomes that combines research on post-entrepreneurs' employment patterns and their pay. Employment (hiring) is the gateway for pay: the two are different outcomes yet they may be related to each other in intricate ways. We suspect that hiring odds may influence the pay level a job applicant can get from the labor market. There is a possibility that firms may be strategically exploiting sub-segment labor pool's odds of being hired. Small firms like to hire post-entrepreneurs because they are a better fit (in terms of having more diverse skills that are needed in smaller firms). At the same time, the post-entrepreneurs incur more penalty in the broader labor market, implying they have lower ability of negotiate for higher salaries compared to non-entrepreneurs who may attract multiple job offers given their higher appeal in the labor market. Therefore, it is possible that post-entrepreneurs are more favored by smaller firms while also getting paid less when hired by the smaller firms. Thanks for encouraging us to think about this and to improve our Discussion by referring to this.

You stated:

6. *In the introduction, you write that “If the records of job applicants with entrepreneurship experience are generally less attractive to job recruiters, then this entrepreneurship penalty will likely dampen the rate of entrepreneurship” (p. 3 and 4). I’m not really convinced by this statement. In particular, although it is well understood that entrepreneurs earn less than observationally equivalent employees (Hamilton, 2000), we still observe a substantial number of individuals becoming entrepreneurs. So, the question is: are (nascent) entrepreneurs ill-informed or are there other reasons than income and post-entrepreneurship outcomes that might compensate for the potential negative returns?*

Response:

This is a nice catch and thank you for pointing it out. We have dropped the statement in this version.

You stated:

7. *Given the various experimental and non-experimental studies finding an entrepreneurship penalty, I believe the development of hypothesis 1 can be shortened substantially using the theoretical motivations from these papers.*

Response:

Yes, given extant literature pertaining to this penalty, entrepreneurship-experience penalty is now treated as a baseline expectation that we build on. We have shortened the explanation for the entrepreneurship-experience penalty in this revised version to some extent, though we have retained a summary of the extant literature on short-term and long-term penalties. We believe this enables readers to more easily grasp the state of the research on these questions. The degree to which we kept reasons for the entrepreneurship-experience penalty needed to balance your request and the request of another referee who asked us to present these reasons more comprehensively. We hope you agree with the way we revised this section of “Entrepreneurship-Experience Penalty” on pages 4-6.

You stated:

8. *Given that you randomize gender next to entrepreneurial experience – and effectively have a 2x2 design - , I was left wondering why you do not focus more explicitly on their interaction in the empirics. In fact, this setting provides an excellent setup to replicate the results of Kacperczyk & Younkin (2021). On page 20 you mention that you find no gender differences for the odds of receiving a more favorable rating (and therefore simply include gender as a control). This seems to contrast their results. A more thorough discussion of why this could be the case seems appropriate here.*

Response:

Thanks for your suggestion. We started our research design with gender in mind as a possible

additional influence on the entrepreneurship experience-penalty. We had tried to assess both the main effect of gender and interacting gender with recruiter aspiration as well as other variables of interest in our models. Yet gender remains an inactive factor throughout the models. Our decision to exclude gender in our presentation of results is due to the latter non-effects of gender, our need to produce a paper whose contributions do not exceed its length, and our stronger interest in *recruiter-related* qualities that influence the entrepreneurship experience penalty.

Importantly, we are not alone in finding no effect on gender. Botelho & Chang's (2023) experiment also reported no significant gender difference in entrepreneurship experience penalty (see their Appendix B online).

Like you have suggested, we have also thought about giving gender more salience in our results, but we are not confident we can claim our experiment as a replication of Kacperczyk & Younkin (2022). Our experimental setup is different. While K&Y sent manipulated resumes to online job boards, we recruited seasoned managers with hiring experience to participate in our experiments. Our experimental resumes are also different from the ones they used. As such, we don't feel confident in setting up our results as capable of replicating (or not replicating) K&Y's. This, coupled with all other reasons shown above, lead us to believe our paper's focus and impact is stronger with gender results presented only with brevity. Toward this goal, we report the non-significant effect of gender that we found. Also, consistent with your suggestion, we added a paragraph with more substantial discussion on the gender factor. Please see page 15 of our revised paper.

You stated:

9. *Can you say something about the external validity of your results? Do you believe your results can be translated to other labor markets (i.e., outside the US) and other occupations (i.e., lower-level management or non-managerial roles)?*

Response:

We revised our paper to include a more substantial discussion section of "Limitations of our Study and Future Research Needs" on pages 24-25. External validity, along with generalizability, are among the many points we have discussed in this section. For example, we now note that the strength of experiments is their internal validity, not external validity; and as such, there is need to test the external validity of our findings using data from more diverse contexts and samples, and that our results will need to be verified with larger-scale archivally-based data. Our paper will hopefully inspire more empirical work to be done to add to the paucity of studies regarding the role of recruiters' influence on entrepreneurship experience penalty-effect.

You stated:

10. *There is no information about the reason why the job applicants left their prior job. This might lead to statistical discrimination if recruiters infer that founders are more likely to exit because of failure rather than because of, for example, a successful sale of the company. Hence, I was left wondering whether you measure an “entrepreneurship” penalty or a “failure” penalty.*

Response:

You raise an interesting question here—namely, whether the resumes of entrepreneurs were significantly more likely to be perceived as failures; and if so, this would mean that what we are calling an “*entrepreneurship penalty*” is equivalent to a “*failure penalty*.” To address this possibility required us to get additional data.

In October 2022, we ran additional experiments on a sample of senior-level business major students in an east-coast state university to address the question of perception of “successfulness” of post-entrepreneurs. In our test, each participant was presented with two resume segments (one for an entrepreneur and the other for a non-entrepreneur; both of which got randomly drawn from the main resume template pool we used in our main experiment). All participants were then asked to compare the two resumes (entrepreneur’s versus non-entrepreneur’s) and to choose one that was associated with the “the *more successful* job candidate.” After this step, all participants answered questions on an online survey that assessed their own entrepreneurial orientation. (The procedure of this additional experiment is described on pages 19-20 of the revised paper).

We ran analyses to test whether respondents’ entrepreneurial orientation is likely to be associated with the way they view an entrepreneur’s resume as more successful than a non-entrepreneur’s resume. We did not observe any significant correlation between a respondent’s entrepreneurial orientation and his or her perception of an entrepreneur’s resume as more (or less) successful. Please see Model 8 of Table 7, which is also discussed on pages 20-21. These new findings suggest that with respect to our hypothesis on the job recruiter’s moderating effect on penalty against post-entrepreneurs, our observed recruiter-moderating effect is *not* driven by perception of success (or failure) associated with entrepreneurs.

You stated:

11. *Instead of using the conditional logit models, did you simply try clustering the standard errors at the recruiter level? I would strongly suggest you do this in the main models.*

Response:

We have followed this suggestion. Now we have clustered standard errors around recruiter in all logit models (Table 4, Model 1; Table 5A and Table 6A) and our results still hold. We retained conditional logit models estimates as well.

We thank you for noting that our paper is interesting and for suggesting many great ways to strengthen its contribution to our understanding of entrepreneurial outcomes.

Response to Reviewer 2

You stated:

1. *The largest issue is one of framing and theory-building. You coin the “entrepreneurship-penalty effect,” but the penalty for founders is well-established, and, in fact, there exists fairly substantial research in this field that you need to discuss more directly. For example, though you mention the paper only in passing, Sorenson, O., Dahl, M. S., Canales, R., & Burton, M. D. (2021) deeply develop the question of where entrepreneurship penalties come from, including your three points, but also several others. Two other recent papers you do not cite, Fackler et al (2021) and Kim (2018), also offer some consideration of the long-term trade-offs of joining startups in ways that I believe you need to address. You dismiss a pretty extensive literature out of hand (as you refer in your conclusion to the “scant number of archival data-based studies that have examined post-entrepreneurship dynamics”). The current theory-building needs to better summarize this set of research, and coherently build upon it, rather than claiming a new effect.*

Response:

Thank you for alerting us to these recent papers relevant to our topic and for providing your thoughtful suggestions for how we can better position our paper. As you have pointed out, the research relating to the negative return of entrepreneurship experience is vibrant and has seen a surge of scholastic interest over the past couple of years. In this revision, we have incorporated all these references you have suggested to us and have followed your suggestions for reframing our paper. More specifically, to incorporate your suggestions, we have done the following:

- (1) We have re-written our introduction section by directly grounding our research inquiry against recent studies regarding the return to entrepreneurship literature and, aided by this backdrop, crystalized more clearly (in ways explained below) how our paper contributes to this literature.
- (2) We agree with you that the negative return on entrepreneurship experience has been extensively studied in the literature, and therefore, have made sure to *not* present the entrepreneurship experience penalty as a new effect. Indeed, we now call this penalty a “baseline expectation,” which is the building block for what we think is the novel contribution of our study—the role of recruiters (please see our response to your point 2 below). With this effect no longer our main contribution, we have made most of our text’s focus on the issues described in our point below this.
- (3) We have motivated our focus as a response to two notable gaps in the extant literature: (a) the tendency of past studies of the entrepreneurship experience-penalty to overlook how this penalty may be influenced by characteristics associated with *individual job-recruiters*; and (b) the difficulty for archival-based studies of the entrepreneurship experience-penalty, which comprise the bulk of studies examining this, to isolate demand (recruiter)-side factors from supply (applicant)-side factors. Relevant discussion is on pages 1-2 of our revised manuscript.

(4) We have clarified, in our revised Introduction as well as Discussion, that our paper addresses the limitations in the extant literature (noted above and in our paper as “gaps”) in several ways-- namely: (a) by illuminating individual job-recruiter qualities, such as their own entrepreneurial aspirations, as a key influence on how post-entrepreneurs are evaluated as job-applicants and, thus, as a key determinant of when the entrepreneurship experience-penalty will be stronger versus weaker; (b) by empirically testing the entrepreneurship experience-penalty by including among other things *individual recruiter-level measures* in our study design; (c) by using an experimental design that enables supply-side (job applicant) versus demand-side (job-recruiter) influences to be kept distinct from each other; and (d) by adding a social psychological perspective to the mostly macro-oriented (archival-based) literature on the entrepreneurship penalty-effect. Relevant discussion is on pages 2-3 in our Introduction section and on pages 21-22 in our Discussion section.

Again, we deeply appreciate your clear and thoughtful guidance, which we have followed in this version.

You stated:

2. *The stronger contribution is the focus on recruiters, but here you also need to do a clearer job of laying out what the gap in the literature is that you are filling. This is especially true because the two factors that you pick are not seemingly connected by any one theory (as you write: “Our choice of these moderating variables is guided by two literatures that have developed in isolation of each other”), so you need to make the connection about why these two factors are selected clearer. Firm size, especially does not seem as novel. I understand that it connects to recruiter characteristics in H4, but you have more direct measures of the recruiter firm entrepreneur-ness than just firm size – the name of the firm that they work for. RAs could code firm age, for example, as a better measure of firm newness or fluidity than firm size, thus focusing more on recruiter characteristics.*

Response:

As you will see from our response to point #1 above, we totally agree with you that our paper’s key contribution regards *the role of individual job recruiter preferences in shaping the entrepreneurship experience-penalty*; and we have revised our paper to make this our emphasis, as you and Reviewer 1 have advised us to do. The social psychological theories relating to Similarity Attraction Theory and Ingroup Favoritism Bias— both of which regard interpersonal qualities that tend to heighten people’s attraction to others (in our case, that tend to heighten job recruiters’ attraction to job-applicants)— guide our hypothesis that recruiters *with* (rather than without) entrepreneurial aspirations will be likelier to choose as their top-choice hiring candidate a job-applicant who is a *post-entrepreneur* (rather than a non-entrepreneur).

With regard to the effect of firm size, we have revised our paper to emphasize that this variable likely *constrains* the influence of a job recruiter’s own entrepreneurial aspiration. This is because individual recruiters’ actions are constrained by the organizations (firms) they

work for. Job recruiters typically evaluate job applicants *for their organization* they work for; as such, characteristics of the employing organization likely influence how strong a role individual recruiters can play in the evaluation process of post-entrepreneurs.

And firm size is an important characteristic for assessing such constraints, for three reasons. First, this variable has been featured prominently in prior entrepreneurship studies (cf., Sørensen, 2007; Elfenbein et al., 2010) and has strong theoretical underpinnings relating to the characteristics of the firms and their hiring patterns. Second, the role each individual recruiter can play in hiring decisions varies with firm size. Smaller firms usually have more nimble hiring decision structure, thus allowing a bigger role of individual recruiters. Larger firms usually have more complex and bureaucratic hiring process, which limits the role of individual recruiters. Third, when recruiters evaluate job candidates *with an eye for person-organizational fit*, the lack of alignment they may see between the typical strengths of entrepreneurs and their organization's culture and structure (which is likelier for recruiters representing large rather than small organizations) will probably undercut any positive evaluation of entrepreneurially-oriented recruiters. We discuss these points in more details on pages 8-9 of our revised paper.

We appreciate your suggestion of exploring other firm-level characteristics, such as a firm's entrepreneur-ness, or firm age. These other firm characteristics are possible constraining factors. Unfortunately, in our original experiment we were not able to collect information on a respondent's employer firm name, due to IRB restrictions. We also do not have employer age in our data. In our revised Discussion (on p. 25 of our revised paper), we note the need for future research to examine these additional possible firm-related constraints (as well as other possible variables' effects) on the job-recruiter-effect we predict and find in our study.

You stated:

3. *I think these recruiter characteristics are the strongest potential contribution, but it needs more development. What sets of characteristics matter, and how do they actually impact hiring choices (it is rare to have single decision-makers in recruiting)? The issue is that your results raise questions about whether the "recruiters" in your sample differ by some unobserved signal of quality. Only 25% of the sample has no entrepreneurial aspirations whatsoever, and it seems likely that the lack of entrepreneurial aspiration may correlated with other factors (quality? Low risk tolerance?) that may explain why they avoid entrepreneurship. It would help if you could clarify more about the individual characteristics you see as being important overall.*

Response:

We agree that in practice it is rarely one person who decides whom to hire in any organization and this comment of yours actually has motivated us to shift our current Hypothesis 2 to investigate firm size as a constraining factor of recruiter effect.

Also, our experimental task asked study participants to select a top-choice job applicant over three others presented to them; and this task does seem likely to occur in actual organizations. Indeed, it happens even within our own hiring of new faculty members.

We did not explicitly seek participants who were more entrepreneurially oriented. If there is anything that may suggest to us that these individuals are more likely than those in the general population to have entrepreneurial aspiration, it might have to do with their age and experience profiles. For example, Azoulay et al. (2020 *American Economics Review*) reported age 45 as the mean entrepreneurial age, which is close to the mean of our sample. Also, about 50% of our respondents have experience working in high-tech sectors, which are more conducive to entrepreneurship. *These variables are all controlled for in our models.* Moreover, in testing the influence of recruiter's entrepreneurial aspirations, we have included a pooled-sample estimation with recruiter aspiration measured in ordinal scale (Likert 1-4). Thus, our findings are based-- *not* on one segment of respondents (e.g., those who do not have entrepreneurial aspirations), but rather— on respondents with varying levels of entrepreneurial aspiration.

Your comment also inspired us to collect additional data that might help us understand why a resume from a job-applicant with (compared to without) entrepreneurship experience may be more favorably evaluated. Toward this goal, we conducted a new round of survey-experiment with undergraduate business students to further explore mechanism related to evaluations of job applicants (entrepreneurs versus non-entrepreneurs). The new findings, which we obtained in October 2022, suggest that participants (resume-evaluators) with entrepreneurial orientation are more likely to rate an entrepreneur higher on leadership potential, impactfulness and competency. Please see the section “Mechanisms Underlying the Recruiter Effect” on pages 19-21 for details of this analysis.

You stated:

4. *You also need to make it clearer about how the bias of individual recruiters might affect hiring systemically. You may find it useful to look into more detail on the hiring literature, Bidwell's work on vacancies and hiring might be a good starting point (you cite it, but it might be worth discussing in more depth).*

Response:

Thank you for pushing us to think more about the hiring bias issue. Indeed, the influence of individual recruiters is the tenet of our revised paper. In this revision, we have been extra-careful to cite the works you refer to when explaining why we expect firm size to constrain the extent to which job recruiters' entrepreneurial aspiration may influence (or bias) how they evaluate job applicants with (versus without) entrepreneurial experience. Specifically, we state:

“In most cases, recruiters are not hiring job candidates for themselves. Instead, they are hiring for the firm they work for. As such, the recruiters are evaluating the fit of a job applicant for their firm (Bidwell & Briscoe, 2010) and any similarity-attraction or in-group favoritism-based preferential evaluation of post-entrepreneurs will need to be contextualized in the firm. Consistent with our thinking, Ferguson et al. (2016) noted that individual recruiters' evaluations of job applicants are constrained by the firms in which they work.” (p.8)

A more substantial discussion about the person-organization-fit issue follows the above opening paragraph of the section on “Firm Size Contextualizes the Recruiter Effect”.

You stated:

5. *When we get to the empirics, I am concerned about the fact that it is unclear whether the entrepreneur has succeeded or failed. Botelho & Chang (2019) use an audit study where they find that this is deeply relevant to hiring. It is possible that less entrepreneurially inclined recruiters may be seeing the resume as a failure, more inclined ones as a success. I am not sure what data you have to address this, but I think it is important to at least discuss that differing perspectives may matter. Perhaps you could use the recruiter functional areas (HR versus tech?) or industry effects to provide some empirical purchase.*

Response:

We agree with you that perception of “successfulness” may influence evaluation of a job applicant, as demonstrated in Botelho & Chang (2023). Indeed, when we prepared the resumes for our experiments, we designed the resumes to be similar to each other in order to hold the relative success (or failure) of each individual resume constant. Please see our description of resume preparation on pages 12-13.

More importantly, your question prompted us to investigate whether perception of success (or failure) is a potential mechanism that may underlie our observed job-recruiters’ moderation effect on entrepreneurship-experience penalty. In October 2022 we ran additional experiments on a sample of senior-level undergraduate business major students in an east-coast state university to address the question of perception of “successfulness” of post-entrepreneurs. In our test, each participant was presented with two resume segments (one for an entrepreneur and the other for a non-entrepreneur, both of which got randomly drawn from our main resume template pool used in our main experiment). All participants were then asked to compare the two resumes (an entrepreneur’s versus a non-entrepreneur’s) and to choose the one that was the “the *more successful* job candidate.” After this step, all participants answered questions on an online survey that assessed their own entrepreneurial orientation. More detailed description of the procedure of this test can be seen on page 19-20 of our revised paper.

We ran analyses to test whether respondents’ entrepreneurial orientation is likely to be associated with the way they view an entrepreneur’s resume as more successful than a non-entrepreneur’s resume. We did not observe any significant correlation between a respondent’s entrepreneurial orientation and his or her perception of an entrepreneur’s resume as more (or less) successful. Please see Model 8 of Table 7, which is also discussed on pages 20-21. These new findings suggest that with respect to our hypothesis on the job recruiter’s moderating effect on entrepreneurship-experience penalty against post-entrepreneurs, our observed recruiter-moderating effect is *not* driven by perception of success (or failure) associated with entrepreneurs.

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You stated:

6. *I also was concerned about the fact that, despite the substantial efforts you have made, founders are different than non-founders, because they were entrepreneurs. That reveals something about the founder skills and traits that are substantially different from non-founders. I would like to see you address this in the discussion.*

Response:

Following your suggestion, we have revised our Discussion to include the following:

“A second potential limitation of our study is that despite our substantial efforts to make the experimental stimuli (i.e., the resumes for entrepreneurs and non-entrepreneurs) objectively identical, this stimulus may nevertheless have had some differences that might have created the significant patterns we observed in our data. We use this to explain the need, therefore, for future research to build on our study-design in ways that further eliminate rival explanations for our findings.” (page 24)

You stated:

Overall, I think this is an interesting paper, but it needs to dive much deeper into making it clear what the contribution is, and how it is adding to our understanding of entrepreneurial outcomes.

Response:

Thank you so much for your encouragement and again for your clear guidance, which has helped us to significantly theoretically and empirically strengthen our paper. We hope you agree with our thinking that our paper is likely to be of much interest to readers of *SEJ* — especially post-entrepreneurs!