

## **Abstract**

The decision to become an entrepreneur is an important one: both for individuals and for economies and societies. On average about 12% of the population is involved in entrepreneurship globally (Bosma & Levie, 2010) and firms with high growth rates are responsible for 53.6% of job creation and economic growth in US and other developed economies (Acs, Parsons, & Tracy, 2008). This is why governments in almost all countries spend money trying to incentivize people to become entrepreneurs. At the same time, at the individual level, the decision to become an entrepreneur is studied as the Occupational Choice (OC) decision.

The literature on the OC decision of the individual is extensive and yet there are at least two gaps in our understanding of this important phenomenon. Firstly, there is very little work connecting the OC decision at the micro level with policy incentives for potential entrepreneurs at the macro level. Secondly, the OC literature does not examine the role of co-founders in the individual's decision to become an entrepreneur, even though we know that most successful firms start with more than one founder (Cooper & Gimeno-Gascon, 1990; Watson, Stewart Jr, & BarNir, 2003) and that the relationship between co-founders affects venture creation (Forster, 2009) and firm performance (Ensley, Pearson, & Amason, 2002; West, 2007).

My dissertation offers rigorous empirical investigations of both these gaps by studying the behavioral bases of the occupational choice decision. I use behavioral economics as the theoretical framework in this dissertation since it provides a more realistic model of human behavior based on realistic psychological assumptions. The thesis is divided into three empirical essays: Chapters 2 and 3 examine the OC decision at the individual level and Chapter 4 examines the OC decision at the level of teams.

In Chapter 2, the “Market for Entrepreneurs”, I use adaptive conjoint analysis to examine the role of specific policy incentives in the OC decision. In doing so, I make three contributions. First, I show how the OC literature can form a theoretical basis for entrepreneurship policy incentives. Second, the simultaneous examination of multiple variables that influence the OC decision show that resources such as healthcare that are cheaper from a policy perspective are actually more effective than costlier resources such as funding in moving people from the labor market into entrepreneurship. Third, I empirically delineate the boundary between the labor market and a “market for entrepreneurs.”

In Chapter 3, the "Mental Accounting of Resource Tradeoffs in the Entrepreneur’s Occupational Choice Decision”, using adaptive conjoint analysis, I examine the question: how do individuals value resources when considering the OC decision to become an entrepreneur? I examine the patterns in the tradeoffs that on the OC decision based on mental accounting theory from behavioral economics. In doing so, I show that there are systematic patterns in the evaluation of resources in the OC decision. I highlight the role of mental accounting in explaining these patterns.

In Chapter 4, “Perspective Taking and Founder Equity Splits: An Experimental Study of Intersubjective Interactions”, I examine the OC decision at the team level. I use an experiment to examine the OC decision of the smallest possible team consisting of two co-founders involved in a ubiquitous decision scenario for entrepreneurs: splitting equity between co-founders. Through a two-stage experiment, I show that while initially co-founder characteristics such as prior venture experience and individual biases explain the equity decision, in Stage 2, the only variable that explains the equity split decision is perspective taking. In this chapter, I make three contributions: I quantify the theoretical construct of the intersubjective using a well-established psychological construct called perspective taking, I

extend the literature on the OC decision to the team level and I show the importance of intersubjective interactions in changing the outcomes of a decision.

As a whole, my dissertation provides a greater understanding of the individual's decision to become an entrepreneur. Each chapter provides a starting point for a stream of research: In Chapter 2, I connect the OC decision with literature on policy incentives providing a theoretical basis for policy literature. Further empirical and theoretical work is required to develop nuanced policy incentives based on OC decisions at the individual level. In Chapter 3, I examine a starter list of four framing patterns in the OC decision based on mental accounting literature. This can be extended to various decision contexts and to include other systematic patterns in individual decision making. Finally, in Chapter 4, I describe the intersubjective nature of the equity split decision. By quantifying the intersubjective, this chapter opens up a new research agenda examining the empirical aspects of the role of the intersubjective in entrepreneurial decision making.