

Cultural Misconceptions and Entrepreneurial Independence

A Thesis

Presented to the Faculty of the Graduate School

of Cornell University

in Partial fulfillment of the Requirements for the Degree of

Master of Science

by

Brendan N Rogan

May 2015

BIOGRAPHICAL SKETCH

Brendan received his B.S. from Cornell Univeristy in 2012.

ACKNOWLEDGEMENTS

This thesis was completed with support from Cornell University, Professor William Sonnenstuhl, and Professor Pamela Tolbert.

TABLE OF CONTENTS

Biographical Sketch	iii
Introduction	6
Understanding a myth	6
Understanding an entrepreneurial challenge	14
Policy implications	21
Future research	25

Abstract

There is a prevailing myth in popular culture that overstates the capacity of individuals to attain entrepreneurial success and understates the complexity of entrepreneurship. Extensive academic research and my own experience reveal that entrepreneurial projects are far less likely to succeed than the prevailing myth would suggest.

Introduction

This paper addresses the gap between popular portrayals of entrepreneurship in the United States and the reality of entrepreneurial experiences. This issue has historic roots in American culture and is becoming more important as entrepreneurship and independent employment represent an increasing proportion of the labor market. Popular narratives often portray the entrepreneurial process as a heroic independent struggle that is successfully completed in a compact time frame. This narrative can be seen in blockbuster movies and the popular press. However it belies the fact that most entrepreneurs fail and that successful ventures typically emerge after years of mundane experimentation, false starts, and muddled teamwork. Given the economic importance of entrepreneurship and the cultural significance of entrepreneurial icons and narratives it is critical to advance a more nuanced understanding of the entrepreneurial experience. In this paper I draw upon popular media, academic research, and my own entrepreneurial experience to illustrate the roots of entrepreneurial optimism and the practical challenges that most entrepreneurs actually encounter. I ultimately make recommendations for how to address and alleviate some of the more pressing challenges associated with entrepreneurial independence.

Understanding a Myth

There has long been a fascination in American culture with stories of outsized individual success and self-reliant rises to prominence. The glamorization of this conception of the American Dream can be traced throughout America's cultural history.

The historian Frederick Jackson Turner presented a notable appraisal of American self-reliance in 1893. In a seminal paper entitled “The Significance of The Frontier in American History” and in a series of subsequent essays he claimed that the nation was critically shaped by its relationship with the frontier. Turner perceived the mentality of the frontier to be defined by a unique type of energy, individualism, and entrepreneurial spirit that permeated America’s collective psyche. He noted: “From the conditions of frontier life came intellectual traits of profound importance... The result is that to the frontier the American intellect owes its striking characteristics. That coarseness and strength combined with acuteness and inquisitiveness; that practical, inventive turn of mind, quick to find expedients; that masterful grasp of material things, lacking in the artistic but powerful to effect great ends; that restless, nervous energy; that dominant individualism, working for good and for evil, and withal that buoyancy and exuberance which comes with freedom—these are traits of the frontier, or traits called out elsewhere because of the existence of the frontier” (Turner, 1893).

Although a great deal has changed since the 1800s, Turner’s conception of the American character has continued to manifest itself in popular culture. As America’s fascination with geographic frontiers has given way to a fascination with economic and technological frontiers, the popularity of the notion that frontiers should be navigated individually has remained constant.

Throughout the 20th century the individualistic pursuit of economic success was a prominent theme in media and popular culture. F Scott Fitzgerald’s *The Great Gatsby* is among the most notable popular depictions of a self-reliant rise to success. Although the story of Jay Gatsby ends tragically it engenders the notion that an individual can rise from poverty to enormous wealth given sufficient individual effort. *The Great Gatsby* has been widely read in American high schools for decades and has been converted to film multiple times. As a result the protagonist of the novel has served for generations as a glorified, albeit somewhat shady, model for the individual pursuit of success.

While *The Great Gatsby* has remained popular for decades after its release, there continue to be new and creative depictions of self-reliant paths to success. A particularly popular illustration of the

theme emerged in the 1990s movie *Jerry Maguire*. In the film Maguire, a successful sports agent, rejects the perceived ills of his industry and is exiled from his company as a result. However, through his independence he becomes the embodiment of holistic success as his self-determination ultimately enables him to thrive both personally and financially.

Contemporary optimism about self-reliant success is most clearly fostered by popular depictions of successful technology entrepreneurs. The founders of America's dominant technology companies fascinate Americans and people all over the world. These leaders embody the apparent possibility of attaining remarkable success quickly and independently. Steve Jobs has perhaps become the most notable object of such intrigue. Many people idolize Jobs as a self-reliant rebel who lived by his own rules and attained success on his own terms. Popular stories and portrayals of Jobs often glamorize the ideal of a lone innovator who, although flawed, could attain significant success largely by his own will power and determination.

In recent years the story of Mark Zuckerberg has been added to the narrative that links bold independence to outsize success. Zuckerberg's promotion to the echelon of self-reliant idols has largely been shaped by his depiction in Aaron Sorkin's Academy Award winning film *The Social Network*. The movie portrays the Facebook co-founder as a brash innovator whose greatest obstacles to success were the people and institutions that surrounded him. Although fraught with personal drama the underlying plot of the movie is defined by a glamorous independent rise to success.

There is a significant amount of truth in many popular portrayals of entrepreneurs. However, such portrayals can ultimately be quite misleading as they often embellish aspects of the truth and neglect critical details. Depictions of Jobs and Zuckerberg have certainly been among the most deceptive. Although popular portrayals of Jobs and Zuckerberg often focus on their rebellious and self-reliant characteristics both men ultimately found success through patience and cooperation with others. A closer look at their experiences reveals that their accomplishments are primarily rooted in years of

experimentation, an exceptional ability to build talented and diverse teams of motivated individuals, and good timing.

Mark Zuckerberg has directly addressed the misperceptions and glamorization surrounding his rise to prominence. He has largely credited his success with a persistent desire to build things and accomplish long-term goals. In regard to the public's perception of his experience he has noted: "I just think people have a lot of fiction....The real story of Facebook is just that we've worked so hard for all this time... I mean, the real story is actually probably pretty boring... We just sat at our computers for six years and coded" (O'dell, 2010).

While a closer look at Zuckerberg's experience reveals that building a company is a long and relatively mundane process, a closer look at Job's experience reveals the significance of collaboration. Although many idolize Steve Jobs for what he accomplished as founder and CEO of Apple, fewer people appreciate the exceptional team that led to Apple's success. However, Job's was fully aware of the significance of the team at Apple. He noted: "great things in business are never done by one person, they're done by a team of people" (Griggs, 2012).

Popular narratives about entrepreneurship have created a social environment that encourages excessive optimism about entrepreneurial pursuits. These narratives lead individuals to underestimate the complexity and realistic obstacles of entrepreneurship. It is important to trace the abundance of optimism surrounding entrepreneurship to prevailing social influences. Sociologist C. Wright Mills captured how broad social forces that permeate throughout society shape the actions and experiences of individuals. He noted: "What we experience in various and specific milieux...is often caused by structural changes. Accordingly to understand the changes of many personal milieux we are required to look beyond them" (Mills, 1959). The paths of individual entrepreneurial experiences are best understood in the context of the broad social environment in which they occur. My own experience serves as a prototype of an entrepreneurial experience that was influenced by commonly held perceptions and zeitgeist surrounding entrepreneurship.

The Entrepreneurial Experience: From Hype to Reality

The origins of this thesis emerged from my own experience of pursuing an entrepreneurial project. My interest in working on such a project began to take shape when I was a research fellow at Cornell's Healthcare Transformation Project in New York City during the summer of 2011. The Healthcare Transformation Project was at the cutting edge of observing innovations in the American healthcare system and introduced me to a variety of innovative ideas, projects, and people. When the fellowship ended I returned to Cornell for my senior year eager to pursue an innovative project of my own. I took advantage of an opportunity to enroll in independent study and began to explore the possibility of creating a health-coaching program in Ithaca. The program would have trained Cornell students to coach obese individuals toward improving their habits and overall health.

Although it was clear that a good health-coaching program could have a very positive impact, it became clear that it would be quite difficult to build a sufficient organizational infrastructure and to properly train, manage, and retain coaches. Furthermore, it would be very challenging to properly scale the program beyond Ithaca. Even under the best of circumstances it seemed that the influence of our program would be relatively limited and potentially take years to properly develop. Consequently I began to think about creating something on a larger scale that could grow more quickly than a local coaching program.

My interest in creating something substantial in a relatively short time frame drew me to the idea of developing a social media application for health coaching and goal setting. Social media was particularly appealing because it is highly scalable and appeared to be relatively simple. I became very enthusiastic about the idea and its potential for success.

My enthusiasm for creating a social media platform coincided with a popular fervor surrounding social media and technology entrepreneurship in the media and popular press. Much of the prevailing narrative about entrepreneurship was shaped by stories of successful technology leaders. There was a

particular focus on the recently deceased Steve Jobs and the leaders of rapidly growing software platforms like Facebook and Instagram. Although I didn't idolize any specific entrepreneur I was influenced by the underlying notion that individual entrepreneurs could apparently create successful technology companies quickly and with relatively little assistance. More broadly I was under the impression that new technologies would increasingly influence daily life and the direction of the overall economy. I wanted to understand and get involved with the seemingly inevitable changes and disruption that new technologies appeared to be creating. I was simply fascinated by the massive scale and rapid growth of new technologies.

I was generally under the impression that a few months of hard work would be enough to develop a viable social media application. This idea was encouraging because I had a firm belief in my ability to make sacrifices and commit to a couple of months of intense work. I had been successful as an athlete in high school and as student at Cornell through hard work and focus. The combination of prior success and my naïve conception of technology startups contributed to my belief that building a social media platform for health coaching was an ideal way to direct my energy and curiosity. I was also encouraged by the fact that I enjoyed a number of unique advantages. I was able to pursue the project as part of a flexible master's degree program, I had no debt, and I had a relatively low cost of living. Furthermore I believed my family would be able to support my project financially if necessary. From the start of my project I was well aware that many entrepreneurs operate under *much* less favorable circumstances.

Building a social media platform seemed to be a significant but surmountable challenge. Since I did not know how to code I decided to look for people with web development experience. I started by casually asking people about web development. Although I spoke with a number of talented young engineers none had the necessary amount of experience and time that my project required. In the spring I attempted to hire a group of developers in India to build a prototype but they were unable to do the type of work I needed. After I graduated from Cornell in June 2012 I tried to recruit a close friend from a top

computer science program who had become a very talented engineer. However, he had already committed to working on his own startup.

In June I stopped looking for engineers and decided to build a significant prototype on my own. I spent June, July, August, and September learning about web development. During this time I gained an extensive and valuable understanding of web development but realized that it is very hard to develop a complex web application. It is challenging to learn how to write code. However, it struck me as even harder to get all of the files and pieces of an application to fit together coherently and work without any problems. I became very familiar with what are known as software bugs, or unknown problems within files of code that can render an application completely useless. Although I worked many long days and late nights I was only able to design a very basic prototype. By October I realized there were some challenges that were going to be too significant to overcome without help. After months of stubbornly working hundreds of hours I came to terms with the fact that I could not build a high-quality or even medium quality application on my own.

After hitting a wall with development in October I no longer viewed a team of developers as a luxury. Instead I knew it was a necessity. I hired a group of web developers who charged reasonable rates and had a record of high-quality web development. My commitment to hire the developers was a critical decision point. In mid October I understood that the outcome of that choice would not be clear for some time. Nonetheless they seemed more qualified than any other reasonable alternatives so I accepted the risk. The first clues about my decision emerged in mid November when the developers sent me their first software update. Although I was encouraged by the high quality of the work, I was concerned about the fact that my application clearly needed a lot more work. It was one of many indications that the project would take much longer than I had anticipated. However, I solidified my commitment to the developers and waited for more updates.

The Mobile Wave

In the spring of 2013 the developers completed a strong web-based version of the app. However, by the spring it had become very clear that the web was no longer the most important medium for social media applications. A growing number of people were spending increasing amounts of time on smart phone applications and relatively less time on traditional web-based applications. It also became clear that top technology companies were shifting much of their focus toward mobile computing. A powerful sign of the shift came in the fall of 2012 when Facebook declared that it was a mobile-first company. By the winter the mobile-first strategy could be seen from the smallest startups to many of the largest Internet companies. The web-first paradigm of social media was gone and the shift to mobile has since been felt far beyond social media.

I started my project at the tail end of the web-first paradigm and was slow to catch the mobile wave. In January, despite having an incomplete web version of the app, I asked the developers to start working on a mobile version. It was clear that mobile development was simply too important to delay any longer. Unfortunately mobile app development is more complicated than web development. High quality mobile apps require extensive work and my developers were not prepared to quickly translate my web application into native Android and iOS applications. This dilemma forced me to wait patiently and face some uncertainty. I decided it would probably be worth it to wait for my developers to complete the mobile applications. It just wasn't clear exactly how long the wait would be.

In May I received IRB approval to recruit subjects to test the web-based version of the app and by June I was actively recruiting subjects. By this time the developers had completed a good web-based application that I was comfortable testing. In June I started meeting with subjects and signing them up for the app. It was encouraging to finally test the app with volunteers and get feedback. The aggregate feedback from subjects was positive but complicated. The app enabled people to create distinct pages in which they could organize information and get feedback from other users around topics and goals. Some of the volunteers used topics to save links for healthy recipes or exercise routines. The app seemed to have appeal as a way to organize plans and topics. In this regard it demonstrated the potential to eliminate

some of the randomness that annoys many people who use social media. I was generally encouraged to see that the app was at least somewhat close to meeting its intended purpose of enabling people to focus on and share specific goals in an online and social environment.

However, the app had its flaws. Subjects' feedback confirmed the importance of mobile and a network effect. In other words people wanted to use the app on their phone and wanted to be able to use it easily with friends. I was also convinced that it would be quite difficult to create a sufficient network effect if the application exclusively focused on health-related topics.

Overall, despite some enthusiasm from the subjects it was clear that the app needed a lot more work. I was convinced that if I didn't integrate the app with Facebook, develop a high quality mobile experience, and extend it's use beyond health-related topics I would have a lot of difficulty retaining users. Meeting all of these demands would require a great deal of time and focus. In the fall it became clear that such time and focus would be in short supply if I intended to earn a masters degree and apply to PhD programs. At the time I was definitely not interested in walking away from a promising masters degree and the potential opportunity to pursue a PhD. Furthermore, the original vision for a health-coaching app had dissolved throughout the long process of development and testing. I simply was not interested in taking a risk on the project at the expense of more appealing future career plans.

Understanding An Entrepreneurial Challenge

The prospect of developing an entrepreneurial idea is engaging, exciting, and filled with optimism. However, the prospect of developing an idea and the actual execution of an idea are two entirely different things. My optimism quickly dissipated as I was confronted with the practical and daily challenges of executing my idea. At the start of the project I thought I had a reasonable sense of the obstacles that I faced and what I would need to learn. However, I quickly encountered challenges that I had not anticipated or had failed to fully comprehend. Some seemingly simple problems became very complicated and threatened the feasibility of the entire project.

My experience primarily came to be defined by my effort to navigate the complex market for high skilled labor and the rapidly evolving market for consumer technology. In navigating these two markets I was often faced with uncertainty and was forced to make a variety of important decisions with few desirable options. The magnitude of these challenges seemed to be exacerbated by the fact that I primarily pursued the project independently.

When I realized that I was unable to build a suitable prototype on my own I began to appreciate the fact that it is very unlikely that a person can create something desirable and useful without significant help from others. It is unusual for one individual to have the diverse skills that are often required to make a good product and deliver it to market. Yet the process of building a functional and high-quality team is also quite difficult.

In an effort to resolve the very obvious problem of technical development of the app I turned to a web development startup. The developers were talented and generally reasonable people. However, they were unable to complete work at a pace that could compensate for my lack of foresight. They were too slow to meet the demands of the shift toward mobile computing in a timely manner. As I struggled to get my project off the ground the market did not wait for me to adapt or for my developers to retool. What people had come to expect from social media was very much at odds with my original vision. I had bet on the web first and was wrong, and I had also bet on developers who were talented but unable to meet the relatively tight timeframes for my project.

Many people like to think they can make their own luck and in a number of ways that notion is correct. Hard work often does pay off in expected and unexpected ways. However, it is undeniable that workers and markets can twist and turn in ways that you often cannot accurately anticipate or imagine no matter how hard you work. The truth is that market forces are stronger than any person, idea, or plan. Everybody makes mistakes but in most cases an entrepreneur cannot afford to make many if he or she expects to succeed in a reasonable time frame or at all. In summary, an entrepreneur's capacity to navigate a rapidly changing and unforgiving market is much more limited than many people may realize.

The challenges of navigating complex markets seemed to be compounded by the fact that I was operating independently and rarely sought outside advice. I was exceedingly confident that I could resolve most of my project's problems without much advice and as a result I rarely consulted people with startup experience or a strong understanding of startups and entrepreneurship. In retrospect it is clear that my neglect of outside advice almost certainly hindered the pace and quality of my project. It prevented opportunities to build a more diverse and adept team while it amplified the weight and difficulty of making decisions. Entrepreneurship is a difficult and long process regardless of how it is done. However, excessive self-reliance makes the experience much more difficult, unclear, and stressful than it needs to be. I ultimately found that the reality of an independent entrepreneurial experience is far more complicated than popular portrayals often lead one to believe.

The Rise of Independence and Self-reliance

Although my experience is somewhat unique it is ultimately part of a much larger trend. It is an illustration of an independent and entrepreneurial venture at a time when such pursuits are glamorized and becoming increasingly sought-after and common. There are numerous indicators of significant growth in entrepreneurial careers in recent years. A 2011 poll by the Kauffman Foundation revealed that 54% of millennials (adults aged 18-35) expressed a desire to start a business or had already started one (Kauffman Foundations, 2011). Interest in entrepreneurial and independent careers has coincided with strong growth in independent and contingent employment arrangements in the overall labor market. There are many indications that the frequency of independent employment and freelancing has increased significantly over the last 15 years. The Freelancer's Union offers the broadest and most encompassing estimate of the size of the independent labor force. They believe it includes 42 million Americans and accounts for approximately 30 percent of the labor force (Horowitz, 2014). Although there is a lack of consensus over the size of the independent workforce there is a much stronger consensus that the group has been growing significantly. An Accenture report states that the number of independent workers grew from approximately six percent of the workforce in 1989 to as much as 33 percent of the workforce in 2013

(Gartside, 2013, p. 3). There are many indications that much of this growth occurred during the 2000s. For instance the U.S. Census Bureau reported that the number of businesses without any employees increased by 29 percent between 2002 and 2012 (U.S. Census Bureau, 2013, 2014). This marked an increase from 17.6 to 22.7 million individuals (U.S. Census Bureau, 2013, 2014). The BLS has also reported a 26 percent drop in the proportion of unincorporated self-employed individuals who employ others (Hipple, 2010). Further evidence of an increase in independent employment comes from a recent study conducted by Emergent Research. The study shows a significant increase in the number of independently employed individuals who work at least 15 hours per week in non-traditional and non-permanent employment. The group increased from 16 million in 2011 to 17.7 million in 2013 (MBOPartners, 2013). This number is predicted to grow to 24 million in 2018 (MBOPartners, 2013). The report also stated that four out of ten adult Americans are either currently working or have worked as an independent at one time during their careers (MBOPartners, 2013).

The Challenges of Independence and Self-reliance

While there are indications that entrepreneurial and independent careers are becoming increasingly common and desirable it is important to understand the challenges associated with independence that are often overlooked or misunderstood. A failure to do so may significantly hinder the rate at which such problems are addressed and hinder the quality of any potential solutions.

A vast amount of research has shown that entrepreneurial individuals tend to experience struggles that most traditional workers have historically been much less likely to encounter. Although many popular portrayals of independence would lead one to believe otherwise, the autonomy, independence, and responsibility of an entrepreneurial lifestyle can be a substantial burden that can ultimately be quite detrimental for one's life and career. An entrepreneurial lifestyle is particularly conducive to high levels of stress and can significantly affect one's psychological well being (PWB). Stress and overall psychological well being (PWB) significantly impact an individual's quality of life and the quality of one's work (Uy et al., 2012). It has been found that PWB is critical for cognitive and emotional elements

of overall human functioning (Aldwin and Revenson, 1987, p. 53, 337–348.). High levels of stress have been linked to a variety of health problems and low levels of overall job satisfaction (Ivancevich et al., 1982). Furthermore, an entrepreneur's PWB can significantly influence firm performance (Shepherd and Haynie, 2009; Baron 2007, 2008).

It is important to identify and define the stressors that most entrepreneurs face on a regular basis. Common stressors include: role overload and general work overload, role ambiguity, role conflict, and responsibility pressure. Role overload comes from receiving multiple incompatible expectations, which are beyond the capacity of an individual to complete (Katz and Kahn, 1978). It is difficult to maintain a high level of quality in one's work as role overload increases (House et al. 1979). Role overload combined with a concern for quality leads to high levels of stress (House et al., 1979; Ivancevich et al., 1982). Role ambiguity is defined as "the lack of information regarding evaluation of one's work, about...scope of responsibility, and expectations of role senders" (Katz and Kahn, 1978). Role ambiguity can cause tension, anxiety, and physical health problems (Caplan and Jones, 1975). Role conflict is defined as the "simultaneous occurrence of two or more role sendings such that compliance with one would make more difficult compliance with the other" (Katz and Kahn, 1978) Role conflict can cause job related stress and job dissatisfaction (House and Rizzo 1972). Responsibility pressure is caused by the need to make difficult, risky decisions in which the outcome could have a significant impact on the welfare of one's firm. Responsibility pressure causes high levels of stress (House et al., 1979). In addition to the stresses discussed above entrepreneurship often involves a generally uncomfortable degree of risk taking, income and outcome uncertainty, intense work effort, long working hours, decision autonomy, and significant personal responsibility (Aldrich and Martinez, 2001; Boyd and Gumpert, 1983; Covin and Slevin, 1991; Wiklund, 1999).

Comparisons of entrepreneurs and other workers highlight the unique nature and amount of stress that confront entrepreneurs. Entrepreneurs have been found to have significantly higher levels of stress associated with workload than white-collar workers, blue-collar workers, and workers in professional

groups (Harris et al., 1999; Jamal, 1997) and entrepreneurs are much worse at leaving worries from work at the office and report lower levels of satisfaction with their work than managers (Buttner, 1992). It also seems to be the case that entrepreneurs experience a significantly higher level of role ambiguity than managers (Harris, 1999; Buttner, 1992). Furthermore, entrepreneurs seem to suffer from many more health problems than managers (Buttner, 1992; Jamal 1997).

Qualitative research plays a particularly valuable role in identifying the practical challenges of entrepreneurial careers. Such accounts shed light on how the ‘free-agent’ lifestyles of low-skill and high-skill contractors are generally accompanied by unique commitments of time and energy as well as general unease.

A number of ethnographic studies have demonstrated that low-skill independents encounter a wide variety of serious work-related problems (Parker 1994; Rogers 1995; Henson 1996; Smith 1996, 1998; McAlester 1998). This research describes independents as having poor working conditions, low wages, high work-related expenses, and disputes over payments and hours. The research also suggests that many independents experience a sense of isolation, exclusion, estrangement, and dissatisfaction.

The challenges of independent employment are apparent across the socioeconomic spectrum. Qualitative research indicates that even highly skilled contractors working in favorable economic conditions deal with problems which traditional employees are often able to avoid (Evans et al. 2004; Barley & Kunda 2004). The problems facing high skilled contractors are generally less serious than those of their low skilled counterparts. The most notable issues for high skill contractors in favorable circumstances involve serious time constraints, excessive workloads, stress, and isolation.

Qualitative research indicates that while high skill contractors appear to have more flexible schedules and more free time than traditional employees, their free time is often devoted to work for which they do not get paid. This work is necessary for contractors to keep their skills current and remain competitive in the market for contingent labor. As a result independent contractors spend extra time on

projects to appease clients, update skills, market themselves, network, and perform basic business requirements such as bookkeeping (Evans et al., 2004, pg 20).

Many contractors find that it is necessary to treat all of their time as capital. They work so many total hours that they are unable to take breaks or vacations. (Evans et al., 2004, p. 30). Furthermore many contractors have sense of guilt about missing job opportunities such that they avoid taking breaks or vacations even when the opportunity presents itself (Evans et al., 2004, p 22). In other words, it is quite common for contractors to place more value on the loss of work rather than the gain of vacation time As a result of all of these factors, contractors often enjoy much less flexibility and leisure time than traditional employees (Evans et al, 2004; Barely & Kunda, 2004, p. 290).

Traditional employment provides workers with a community and a well-defined social identity. While such work communities may often be far from ideal, they provide a sense of stability and membership. In contrast, contractors usually live without this sense of stability and community. Their work often places them in social limbo that can be ambiguous and isolating (Barley & Kunda, 2004, p. 176). Contractors are frequently seen as a commodity, equated with other resources of production (Barley & Kunda 2004, p. 180). They are not complete members of the community and are treated as outsiders who work for the organization but do not belong (Barley & Kunda, 2004, p. 187). As a result clients generally feel no obligation to help contractors develop as experts or as persons (Barley & Kunda, 2004, p. 180). Although the idea of a 'hired gun' often seems simple and appealing for contractors and clients it can be quite complicated in practice (Barely & Kinda, 2004, p. 187). Despite its superficial appeal, such a dynamic can be degrading and may contribute to a highly detrimental sense of isolation and lack of value for contractors. Qualitative accounts of contingent workers ultimately suggest that the flexibility of independence often fosters constraint and the autonomy of independence can lead to commoditization and isolation.

Not all independents start companies but the overwhelming majority of those who do so fail. Extensive amounts of data and research indicate that most businesses fail completely or make very little

money if they survive. Although success rates may vary from industry to industry, approximately 25 percent of new businesses cease to exist within the first year of existence, 35 percent in the first two years, 45 percent in the first three, and 50 percent within the first four years. Approximately 70 percent of new businesses are no longer operating after 10 years (Shane, 2008, p. 98-99). Ultimately between 70 and 80 percent of businesses fail completely and approximately 90 to 95 percent fail to meet declared projections or expectations (Nobel, 2011).

The vast majority of businesses experience small profits or no profits at all. The Federal Reserve's Survey of Consumer Finances has cited the median annual profit of owner-managed firms at \$39,000 (Shane, 2008, p. 101). However, this figure may be overstated because the Federal Reserve's survey did not properly account for the lack of profits from firms that failed and were not included in the survey (Shane, 2008, p. 101). An even more dismal statistic indicates that only one-third of owner-operated businesses generate more than \$10,000 per year (Shane, 2008, p. 101).

Policy Implications

Far too few leaders and commentators fully recognize or acknowledge the extent of the issues described above. As a result the most common and serious challenges involving independent employment are often framed as burdens that should be borne solely by individuals. However, in light of the rapid growth of independence it has become critical to view these challenges as widely shared burdens with significant macroeconomic implications. Serious reforms will be needed to address the problems associated with the growth of independent and entrepreneurial employment. The development of occupational institutions, refinement of safety net and labor market policies, and commitments to flexible policy development within federal, state, and local government will be critical.

In their exploration of contingent employment, Barley and Kunda cite the importance of non-profit occupational associations for independents (2004, p. 315). They note that such organizations can assist with training and certification programs, job postings, equipment, supplies, and other factors that

are critical for self-employed individuals (2004, p. 315). In addition they express particular concern about the lack of health insurance and retirement plans for contractors (2004, p. 312) They describe this situation as a significant long-term problem for individuals as well as society and note that trade associations have the potential to alleviate some of these issues (2004, p. 315). Occupational organizations may also play a vital role in providing a greater sense of community for independents.

While trade groups may play a critical role in assisting independents many other adjustments will be needed to ease the economic transition toward a more entrepreneurial economy. Federal, state, and local governments will need to play a significant role in addressing the entrepreneurial trend. In this regard government will need to rethink existing policies as well as develop new ones in the coming years.

In order for the government and other entities to address the shift toward independent and entrepreneurial employment it will first be critical to gain a much better understanding of the shift. The lack of universal standards for measuring freelancing and independent employment significantly hinders our understanding of its growth. The BLS has failed to develop an adequate standard for measuring independent employment and stopped measuring the number of “contingent workers” in the United States in 2005 due to a lack of funding (Tozzi, 2011). The Freelancers Union has been particularly critical of the BLS and argues that the government is “ignoring a crucial, and growing, segment of the economy that is transforming the U.S. workforce” (Freelancers Union, 2011). The task of measuring and understanding these workers may be challenging and expensive but doing so would probably enhance our ability to help many independents and generally improve the troubled and rapidly changing labor market.

Safety Net and Labor Market Policies

In addition to gaining a better understanding about the independent workforce government must actively address the most pressing problems faced by independent workers. In recent years it has become increasingly important to explore the utility of existing and potential safety net policies. It is now urgent to ensure universal access to basic needs such as food and healthcare since changes in the labor market

have resulted in more limited availability of these requirements of daily life. For instance, the number of Americans who rely on food stamps has nearly doubled since 2004 and now stands at over 46 million (USDA, 2015). Widespread access to food stamps is critical since food stamps prevent malnutrition and have a number of economic benefits. For example it has been demonstrated that children's access to food stamps has been shown to improve their health as well as their economic prospects as adults (Hoynes et al., 2012). Research has also shown that food stamps are particularly effective at stabilizing the economy during downturns (McKay & Reis, 2013).

Until recently a lack of steady employment has often resulted in a lack of health insurance because of the uniquely American phenomenon of linking health insurance to employment. Employer-based health insurance was more suitable for the post-war era in which employment arrangements were generally quite stable. However, employer-based health insurance is very poorly suited for the modern era in which so many employment arrangements are short-term and flexible. The Affordable Care Act is addressing this outdated model. Recently enacted provisions make it possible for people to independently purchase affordable healthcare regardless of their employment situation. It will be critical to maintain these provisions of the Affordable Care Act as increasing numbers of Americans engage in flexible employment arrangements.

While it will be essential for the government to protect access to food stamps and health insurance it will also be critical for the government to institute and refine a range of labor market policies. A variety of research details the policies that historically have been most helpful for individuals struggling in the labor market. A meta-analysis of 97 studies between 1995 and 2007 revealed that job search assistance programs are a particularly effective means for helping unemployed individuals (Card et al., 2010). The analysis also found, that despite initially negative results, classroom and on-the-job training programs tend to yield positive results within two to three years (Card et al. 2010).

There may be fears that increased government action and safety net policies will hinder economic activity or innovation, and it does appear that some safety net policies indirectly discourage self-

employment. Policies that protect employees from the costs of job loss and provide families with financial support can discourage self-employment (Hipp & Tolbert, 2014). However, these policies tend to discourage self-employment among individuals who are least likely to succeed at starting a business and have a negligible impact on the attractiveness of entrepreneurial activity for individuals who are most likely to succeed as entrepreneurs (Hipp & Tolbert, 2014). It appears that a financial safety net can prevent many of the social and economic costs of business failure among individuals who are poorly prepared for entrepreneurship while having a minimal impact on promising and potentially disruptive entrepreneurs (Aronson, 1991; Shane, 2009; Hipp and Tolbert, 2014). There are thus strong indications that a variety of safety net policies can be beneficial for both individuals and the general economy.

Incentives and Independent and Entrepreneurial Employment

It is particularly important to assess government policies that encourage entrepreneurship or independent employment among individuals with poor prospects for success. Misguided self-employment is often fostered by poor economic conditions. However it is also encouraged by policies that offer transfer payments, loans, subsidies, regulatory exemptions, and tax benefits to individuals who are not likely to succeed as entrepreneurs (Shane, 2009). Unfortunately policies that are designed to increase the total number of new businesses disproportionately attract the worst entrepreneurs (Shane, 2009).

Although most new businesses and entrepreneurs fail a small number of entrepreneurs manage to create extremely successful companies. These few entrepreneurs are responsible for the vast majority of the economic benefits and job growth that comes from new business creation (Shane, 2009). Consequently the government should consider replacing many existing incentives for self-employment with more precisely targeted programs that support high growth entrepreneurship. For example, research and development tax credits for new companies might be a particularly effective mechanism for generating economic growth and job creation through entrepreneurship (Shane, 2009). This type of approach could facilitate business growth without incentivizing misguided or detrimental forays into self-employment.

Entrepreneurial Government

It will be important for government to investigate a variety of innovative policies and programs in the coming years. Although the development of effective new programs will require a great deal of effort and experimentation the societal rewards could be tremendous. In a more general sense it will be necessary for both researchers and policy makers to be open minded. Ultimately an underlying tendency toward flexibility and experimentation is critical and likely far more important than any single policy.

It is reasonable to believe that many creative and valuable policy ideas will emerge in the coming years. It is thus unlikely that the greatest obstacle to properly assisting independent workers will come from a lack of smart policy ideas. Instead the greatest obstacles are more likely to come from the government's inability to address serious issues in the short and medium term. Obstructionist politicians and narrow-minded interest groups with outsized influence present an enormous challenge to sensible and necessary policy reforms. Although it may be hyperbole to say that Washington is broken, it is certainly not running smoothly. A sluggish government is never good but it is particularly bad in a time of such sweeping change. Just as the times are requiring workers to be more flexible and entrepreneurial the same is now required of government. In addition it will be critical for the vast majority of people to understand the strength of the trend toward independence. Such awareness will be needed in order to stimulate the pressure and action that is necessary to properly address the most salient problems associated with this transition.

Future Research

Utilizing ethnographic research methods and incorporating institutional theory in future research will strengthen the study of entrepreneurial behavior. Institutional theory historically has been underutilized as a theoretical means for articulating and defining the social constructs that shape entrepreneurial behavior (Tolbert et al, 2011). However, it can serve as a natural and effective mechanism for defining forces that shape these milieus.

While institutional theory provides a desirable framework for defining the entrepreneurial environment, ethnographic research methods serve as an effective means for uncovering and exploring the institutionalized constructs of entrepreneurship. Many important entrepreneurial institutions and norms may be most clearly discerned through observation and participation in entrepreneurial environments.

Ethnographic studies should include participation and observation in contingent employment positions in growing online marketplaces such as Uber and Taskrabbitt. This research should also focus on unemployed individuals who choose to pursue entrepreneurial endeavors instead of looking for steady employment. Furthermore future research should engage with high-growth potential technology entrepreneurship, which may be shaped by a variety of misunderstood yet unique and powerful institutions.

Ethnographic research with entrepreneurs and independents may well reveal currently overlooked institutionalized norms that define the entrepreneurial experience and that shape critical aspects of the modern economy. A thorough understanding of these institutions would be extremely valuable for entrepreneurs and governments. Insights gathered from this research would help individuals and policy makers make more informed and practical decisions.

Citations:

Aldrich, H.E., Martinez, M.A.. (2001). Many are called, but few are chosen: an evolutionary perspective for the study of entrepreneurship. *Entrepreneurship Theory and Practice* 25, 41–56

Aldwin, C.M., Revenson, T.A. (1987). Does coping help? A re-examination of the relation between coping and mental health. *Journal of Personality and Social Psychology*

Barley, S. & Kunda, G. (2004). *Gurus, Hired Guns, and Warm Bodies*. Princeton University Press

Baron, R.A. (2007). Behavioral and cognitive factors in entrepreneurship: entrepreneurs as the active element in new venture creation. *Strategic Entrepreneurship Journal* 1, 167–182.

Baron, R.A., (2008). The role of affect in the entrepreneurial process. *Academy of Management Review* 33, 328–340.

Boyd, D.P., Gumpert, D.E. (1983). Coping with entrepreneurial stress. *Harvard Business Review* 61, 44–59

Bureau of Labor Statistics. (September 2014). Labor Force Participation Rate. Retrieved from: <http://data.bls.gov/pdq/SurveyOutputServlet>

Buttner, Holly E., 1992. Entrepreneurial Stress: Is It Hazardous To Your Health? *Journal of Managerial Issues* 4(2), 223-240.

Caplan, R., and K. Jones. (1975). "Effects of Work Load, Role Ambiguity, and Type A Personality on Anxiety, Depression, and Heart Rate." *Journal of Applied Psychology* 60: 713-719.

Card, D., Kluve, J., Weber, A., (2010). Active Labor Market Policy Evaluations: A Meta-analysis. *Economic Journal, Royal Economic Society*, vol. 120(548), pages F452-F477

Covin, J.G., Slevin, D.P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice* 16, 7–25

Evans, J., Kunda, G., Barely, S. (2004). Beach Time, Bridge Time, and Billable Hours: The Temporal Structure of Technical Contracting. *Administrative Science Quarterly*, Vol. 49, No. 1. p 1-38.

Fischer, R. & Boer, D. (2011). What Is More Important for National Well-Being: Money or Autonomy? A Meta-Analysis of Well-Being, Burnout, and Anxiety Across 63 Societies. *Journal of Personality and Social Psychology* Vol. 101, No. 1, 164-184.

Freelancers Union. (2011). America's Uncounted Independent Workforce. [Freelancersunion.org](http://freelancersunion.org). Retrieved from: http://freelancersunion.org/pdfs/advocacy/2011_Counting_the_Independent_Workforce%20Policy_Brief.pdf

Friedman, T. (2013, March 30). Need a Job? Invent It. *The New York Times*. Retrieved from: <http://www.nytimes.com/2013/03/31/opinion/sunday/friedman-need-a-job-invent-it.html>

Friedman, T. (2011, July 12). The Start-Up of You. *The New York Times*. Retrieved from: http://www.nytimes.com/2011/07/13/opinion/13friedman.html?_r=1&

Friedman, T. (2013, November 9). Why I (Still) Support Obamacare *The New York Times*. Retrieved from: http://www.nytimes.com/2013/11/10/opinion/sunday/friedman-why-i-still-support-obamacare.html?smid=tw-share&_r=0

Griggs, B. (2012, October 9). 10 Great Quotes from Steve Jobs. *CNN*. Retrieved from: <http://www.cnn.com/2012/10/04/tech/innovation/steve-jobs-quotes/>

Hipp, L., Tolbert, P., (2014). Fostering Entrepreneurial Societies: National Labor Market Policies and Preferences for Self-employment. (WORKING PAPER???)

Hipple, S. (2010). Self-employment in the United States. BLS. Retrieved from: <http://www.bls.gov/opub/mlr/2010/09/art2full.pdf>

Hoffman, R. & Casnocha, B. (2012). *The Start-Up of You: Adapt to the Future, Invest in Yourself, and Transform Your Career*. Crown Business.

Horowitz, S. (2010, September 24). Why is Washington Ignoring the Freelance Economy. *The Atlantic*. Retrieved from: <http://www.theatlantic.com/business/archive/2010/09/why-is-washington-ignoring-the-freelance-economy/63510/>

Horowitz. Freelancers Union. Freelancersunion.org. Retrieved from: <https://www.freelancersunion.org/about/>

House, R., and J. Rizzo. (1972). Role Conflict and Ambiguity as Critical Variables in a Model of Organizational Behavior. *Organizational Behavior and Human Performance* 7: 467-505.

Harris, Julie Aitken., Salstone, Robert., Fraboni, Maryann., (1999). An Evaluation of the Job Stress Questionnaire with a Sample of Entrepreneurship. *Journal of Business and Psychology*. 13 (3)

Henson, Kevin D. (1996). *Just a Temp*. Philadelphia: Temple University Press.

House, R., J. Wells, A. McMichael, B. Kaplan, and L. Landerman. (1979).

"Occupational Stress and Health Among Factory Workers." *Journal of Health and Social Behavior* 20: 139-160

Hoynes, Hilary W. et al. (November 2012). Long Run Impacts of Childhood Access to the Safety Net. NBER Working Paper No. 18535.

Ivancevich, J., M. Matteson, and C. Preston. (1982). Occupational Stress, Type A Behavior and Physical Well-Being. *Academy of Management Journal* 25: 373-391.

Jamal, Muhammad. (1997). Job stress, satisfaction, and mental health: an empirical examination of self-employed and non-self employed Canadians. *Journal of Small Business Management*, 35(4), 48-57.

Katz, R., and R. Kahn. (1978). *The Social Psychology of Organizations*.

New York: Wiley

Kauffman Foundation. (2011). New Poll Finds More Than Half of Millennials Want to Start Business. Retrieved from:

http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2011/11/millennials_study.pdf

MBOPartners. (September 2013). The State of Independence in America. Retrieved from: http://info.mbopartners.com/rs/mbo/images/2013-MBO_Partners_State_of_Independence_Report.pdf

McAlester, J. (1998). "Sisyphus at Work in the Warehouse: Temporary Employment in Greenville, South Carolina." In Kathleen Barker and Kathleen Christensen, eds., *Contingent Work: American Employment in Transition*. Ithaca, N.Y.: ILR Press. pp. 221-42.

McKay, Alisdair & Reis, Ricardo. (April 2013). The Role of Automatic Stabilizers in the U.S. Business Cycle. NBER Working Paper No. 19000

Mills, C. Wright. (1959). *The Sociological Imagination*. Oxford University Press.

Nobel, C. (2011, March 7). Why Companies Fail – and How Their Founders Can Bounce Back. *Harvard Business School*. Retrieved from: <http://hbswk.hbs.edu/item/6591.html>

O'dell, J. (2010, July 22). Facebook CEO interviewed on IPO, lawsuit and more. *CNN*. Retrieved from: <http://www.cnn.com/2010/TECH/social.media/07/22/facebook.ceo.interview.abc/>

Parker, R. (1994). *Flesh Peddlers and Warm Bodies: The Temporary Help Industry and Its Workers*.

Reddy, E.J., & Litan, R. (2011). *Starting Smaller Staying Smaller: America's Slow Leak in Job Creation*. Kauffman Foundation. Retrieved from: <http://www.kauffman.org/what-we-do/research/firm-formation-and-growth-series/starting-smaller-staying-smaller-americas-slow-leak-in-job-creation>

Rogers, J. (1995). 'Just a Temp: Experience and Structure of Alienation in Temporary Clerical Employment.' *Work and Occupations*, Vol. 22, No. 2, pp. 137-66.

Shane, S. (2009). Why encouraging more people to become entrepreneurs is bad public policy. *Small Business Economics* 33:141-149

Shane, S. (2008). *Illusions of Entrepreneurship*. Yale University Press

Shepherd, D., Haynie, J.M., 2009. Birds of a feather don't always flock together: identity management in entrepreneurship. *Journal of Business Venturing* 24, 316–337

Smith, V. (1996). "Employee Involvement, Involved Employees: Participative Work Arrangements in a White-Collar Service Occupation." *Social Problems*, Vol. 43, No. 2, pp. 166-79. _ 1998.

"The Fractured World of the Temporary Worker: Power, Participation, and Fragmentation in the Contemporary Workplace." *Social Problems*, Vol. 45, No. 4, pp. 1-20.

Tolbert, P., David, R., Sine, W., (2011). Studying Choice and Change: The Intersection of Institutional Theory and Entrepreneurship Research. *Organization Science* 22(5), pp. 1332-1344.

Tozzi, J. (2011, August 18). Freelancers Ask Government to Count Independent Workers. *Bloomberg Businessweek*. Retrieved from:
http://www.businessweek.com/smallbiz/running_small_business/archives/2011/08/freelancers_ask_government_to_count_independent_workers.html

Turner, Frederick Jackson (1893, July 12). The Significance of the Frontier in American History. Retrieved from:

<http://xroads.virginia.edu/~Hyper/TURNER/chapter1.html>

U.S. Census Bureau. (2013, May 30). More Than 380,000 Nonemployer Businesses Added to the U.S. Economy, U.S. Census Bureau Reports. Retrieved from:
http://www.census.gov/newsroom/releases/archives/business_ownership/cb13-99.html

U.S. Census Bureau. (2014, April 24). U.S. Census Bureau Reports U.S. Economy Added Nearly 245,000 Nonemployer Businesses in 2012. Retrieved from:
http://www.census.gov/newsroom/releases/archives/business_ownership/cb14-76.html

USDA. (January 2015). SNAP Participation and Costs. Retrieved From:

<http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>

Uy, M.A., Foo, M., Song, Z. (2012). Joint effects of prior start-up experience and coping strategies on entrepreneurs' psychological well-being. *Journal of Business Venture*.

Wiklund, J., 1999. The sustainability of the entrepreneurial orientation–performance relationship. *Entrepreneurship Theory and Practice* 24, 37–48