

THE IMPACT OF A NECESSITY-BASED START-UP ON ENTREPRENEURIAL SATISFACTION: A PRELIMINARY INVESTIGATION

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ABSTRACT

Necessity entrepreneurship has recently become a topical policy issue in Finland particularly with regard to situations where the employer outsources former employment relationships by “pushing” employees to become self-employed subcontractors. While the policy debate has primarily focused on the juridical aspects, this paper examines the consequences of necessity as a start-up motive at the individual level by focusing on its impact on subsequent entrepreneurial satisfaction. An analysis of a sample of 778 recently established Finnish micro enterprises shows that necessity entrepreneurs are indeed significantly less satisfied later in their entrepreneurial careers. While the actual direct impact of a necessity-based start-up on satisfaction was small, it had a moderate indirect effect via the individual’s satisfaction with their entrepreneurial income and work traits.

INTRODUCTION

The much-debated concept of “necessity entrepreneurship” was introduced in the Global Entrepreneurship Monitor (GEM) studies in 2001 to refer to individuals who “are pushed into entrepreneurship because all other options for work are either absent or unsatisfactory” (Bosma and Harding, 2006, p. 15). Given that the whole concept has been criticized on the basis that entrepreneurship is ultimately the individual’s own choice and nobody can be forced to start a business (Rosa et al., 2006; Smallbone and Welter, 2003) – especially in countries where the welfare system guarantees a basic subsistence for everyone (Heinonen et al., 2006) – it may be somewhat surprising to discover that necessity entrepreneurship has become a prominent topic in the recent political and media discourse in Finland (e.g., Hakala, 2006; Kaihovaara, 2007; Sippola, 2006). The discussion on necessity entrepreneurship (also referred to as “involuntary” or “forced” entrepreneurship/self-employment) focuses in particular on situations where the employer seeks increased flexibility and cost efficiency by “pushing” former employees into new forms of precarious self-employment, which are somewhere in the “grey area” between employment and self-employment (Perulli, 2003; Schulze Buschoff, 2005). Similar concerns exist in other European countries too, even though the terminology, manifestations and political relevance differ according to the national context (e.g., Böheim and Muehlberger, 2006; Harvey, 2001; Kautonen et al., 2007a; Paasch, 1990; Perulli, 2003).

The concerns prevalent in the Finnish policy discussion can be broadly divided into two categories (Kautonen et al., 2007b). One focuses on the legal and social security implications related to the ambiguous legal status of “quasi self-employed” workers who are mainly self-employed in contractual

terms but in practice treated as employees because of the way the contract is executed (Dietrich, 1999). A thorough review of the quasi self-employment discussion from a broader EU perspective is available in Kautonen et al. (2007a). The other category emphasized especially by the trade unions concerns the “injustice” and the economic and social consequences to the individual of being “pushed” into self-employment. This becomes a relevant concern when the social costs of new forms of self-employment are assessed against the benefits that employers argue to receive from these, especially in form of added flexibility. The present paper addresses this latter category of concerns.

While the literature on necessity entrepreneurship has primarily focused on its consequences at regional and national levels, the individual level consequences of a necessity-based start-up have not been a primary concern (for notable exceptions see e.g., Block and Wagner, 2006; Galbraith and Latham, 1996; Filion, 2004). Previous studies point out that self-employment which began as a reluctant choice may evolve to a desirable alternative over time (Granger et al., 1995; Hinz and Jungbauer-Gans, 1999), indicating that the necessity of entrepreneurship is a dynamic phenomenon. Thus, the central empirical question in this context is whether the entrepreneur, at a given time, would be willing to give up their business if they could continue doing the same work in an employment relationship. If the individual is satisfied enough to prefer to stay in business for themselves, entrepreneurship cannot be deemed a necessity, even if the start-up decision might have been necessity-based. Hence, we use satisfaction with being an entrepreneur as the dependent variable in this study.

In sum, this paper seeks to answer the following research question: *Does a necessity-based start-up impact on subsequent entrepreneurial satisfaction?* The expressions “self-employed” and “entrepreneur” are used interchangeably to refer to individuals who are in business for themselves and the notion of entrepreneurial satisfaction is defined as the self-employed individual’s preference to continue in self-employment as opposed to switching back to paid employment. We examine both the direct and indirect impact of a necessity-based start-up on entrepreneurial satisfaction. The indirect effect is assumed to occur via the individual’s satisfaction with the level and regularity of their entrepreneurial income and the work traits associated with their current self-employment, which based on previous studies are proposed to be important determinants of an individual’s entrepreneurial satisfaction.

The paper is organized as follows. The first section presents a review of the relevant literature and develops tentative research propositions for empirical investigation. Next, the method and data are presented, followed by an examination of the research propositions based on hierarchical regression and PLS (Partial Least Squares) path model analyses of survey data from 778 Finnish micro enterprises. Finally, the findings of the study are discussed together with the preliminary conclusions.

LITERATURE REVIEW AND RESEARCH PROPOSITIONS

Necessity Entrepreneurship

The notion of necessity entrepreneurship implies that a person has not had any other viable option available on the labour market than to start up in business (e.g., Bosma and Harding, 2006). This contrasts with “opportunity entrepreneurship” which is based on the exploitation of a business opportunity. The concepts of opportunity and necessity entrepreneurship are analogue to the discussion of “push” and “pull” motives behind the decision to start a business in entrepreneurship literature (e.g. Granger et al., 1995; Hughes, 2003; Mallon, 1998; Moore and Mueller, 2002). The latter refer to positive factors that “pull” people into business ownership, such as independence, increased earning and opportunities for carrying out own ideas. “Push” factors, on the other hand, comprise negative impulses such as redundancy, a lack of alternative career opportunities and dissatisfaction with the current job. Thus, necessity entrepreneurship can be viewed as a result of strong “push” factors.

The juxtaposition of necessity and opportunity entrepreneurship in the literature has focused on the impact of the motives underlying the decision to start a business on the new enterprise’s development and growth, which has implications for regional economic development as well. Here, necessity entrepreneurship is often judged as a negative factor as far as economic growth and development are concerned (e.g., Allen et

al., 2006; Reynolds et al., 2002) and much of the related discussion has drawn attention to developing countries (e.g., Arenius and Minniti, 2003; Rosa et al., 2006). In the following discussion, however, the focus is on the individual consequences of a necessity-based start-up in developed economies.

Several scholars consider necessity entrepreneurs in developed countries as victims of current corporate and public sector downsizing (Filion, 2004; Galbraith and Latham, 1996), which is also parallel to the current political discourse in Finland. The employer's motive for outsourcing employee functions to self-employed subcontractors is to find more flexibility by avoiding the costs, obligations and responsibilities related to employment relationships. These depend on the regulatory framework of the country is question of course, but in many Western European countries including Finland they tend to be considerable. In such outsourcing situations the employee is often effectively "pushed" into becoming a self-employed subcontractor. The main "push" factor in this context is (the threat of) unemployment. Previous empirical studies indeed confirm that most necessity entrepreneurs have been unemployed prior to start-up (Andersson and Wadensjö, 2006; Block and Wagner, 2006; Hinz and Jungbauer-Gans, 1999). However, Granger (1995) points out that "push" factors underlying necessity-based transitions into self-employment are too often narrowly defined to include only unemployment-related causes, even though other factors such as hard working conditions, work stress and uncertainty may also play a role in this context.

However, even if life as an entrepreneur began due to a lack of viable alternatives in the labour market, it may nevertheless evolve to a desirable alternative over time (Granger et al., 1995; Hinz and Jungbauer-Gans, 1999). The present paper seeks to further our understanding of this dynamism by investigating whether a "push" motivated start-up has a long-lasting impact on the individual's satisfaction with being an entrepreneur.

Entrepreneurial Satisfaction

For the purpose of this paper, we propose a simple definition of entrepreneurial satisfaction: an entrepreneur is satisfied if they have a preference to continue in self-employment as opposed to switching back to paid employment, if the latter became a viable option. Analogue to the situationist definition of job satisfaction (Schneider et al., 1992), this preference is based on the individual's cognitive evaluation of the current situation of their self-employment. Further, we postulate that there are two broad types of factors involved in this evaluation: "satisfiers" describe an individual's relationship to what they do: job content, achievement on a task and professional advancement or growth in a task capability; "dissatisfiers", on the other hand, refer to factors related to the context or environment in which work is performed, including salary, interpersonal relations and working conditions (Herzberg, 1966). Based on this conceptualization we included two factors in our empirical study: the level and regularity of income generated by the business (derived from "dissatisfiers") and a group of work traits associated with self-employment (derived from "satisfiers"). Thus, we propose that:

Proposition 1a: Satisfaction with the level and regularity of income has a positive effect on the willingness to continue in self-employment (entrepreneurial satisfaction).

Proposition 1b: Satisfaction with the work traits related to current self-employment has a positive effect on the willingness to continue in self-employment (entrepreneurial satisfaction).

The level and regularity of *income* is closely related to the performance of the business. A number of studies have shown that the self-employed earn less than employees while simultaneously bearing a greater risk and facing more fluctuation in their income (Aronson, 1991; Hamilton, 2000). Cooper and Artz (1995) believe that the satisfaction level with the firm's performance has an impact on the entrepreneur's decisions concerning whether to invest more time and money in the business, whether to cut back or even to close down. Helisten et al. (2006) pointed out that the better the profitability and future prospects were, the more motivated were the individuals. Therefore, it can be assumed that the income level impacts on entrepreneurial satisfaction in terms of the willingness to continue in self-employment versus switching to paid employment. However, entrepreneurship research claims that a considerable part of job satisfaction is in fact not related to the level of income, but other traits associated with working as self-employed. Moreover, research evidence has shown that people who lack of job opportunities tend to lower their

income expectations (e.g., Devine and Kiefer, 1993), which points to the interpretation that necessity entrepreneurs may be satisfied with less than opportunity entrepreneurs in terms of their level of entrepreneurial income. In terms of the regularity of income, Hundley (2001) found that even though high rates of small business failures make self-employment look less secure, the self-employed in fact do feel secure because their future is in their own hands.

Rather than on the basis of earnings potential, entrepreneurial individuals are argued to be attracted to self-employment by *work traits*. Taylor (1996) sees that own initiative and enjoying the work itself are more important aspects of entrepreneurial satisfaction than income as such. Benz and Frey (2004) found that differences in material outcomes, such as a higher earnings level or a lower number of working hours, or personality traits do not affect job satisfaction as much as greater independence and autonomy. Besides independence, a relative absence of hierarchy in the working environment, task autonomy and task variety are seen to be important factors contributing to entrepreneurial satisfaction (Frey and Benz, 2003; Hughes, 2003, Hundley, 2001). Self-employment does not impose such task-specialization characteristics and boundaries to creativity as organizational work, which is why self-employed may be in a better position to design their own jobs and utilize and develop their skills (Frey and Benz, 2003; Hundley 2001). This, on the other hand, is likely to lead to increased satisfaction.

The Impact of a Necessity-based Start-up on Entrepreneurial Satisfaction

Though entrepreneurship is often described as stressful, requiring hard work, long hours and, above all, tolerance of risk (Buttner, 1992; Eden, 1975), a number of studies report that the self-employed in general express higher levels of job satisfaction than employees (Benz and Frey, 2004; Blanchflower and Oswald, 1998; Finnie et al., 2002; Hundley, 2001). However, many of the related studies have not considered the difference between opportunity and necessity entrepreneurs. The few studies that have touched upon the issue have, not surprisingly, suggested that necessity entrepreneurs are less satisfied with their occupational situation than opportunity entrepreneurs (Block and Wagner, 2006; Galbraith and Latham, 1996).

The underlying cause for a lower satisfaction level among necessity entrepreneurs may be their personal unsuitability to entrepreneurship, which is related to the work traits component of satisfaction. Benz and Frey (2004), for example, believe that the self-employed in general are more satisfied with their jobs because they have a natural tendency to be more satisfied. However, the authors admit that it could also be the case that only those actively seeking self-employment actually value its characteristics. This is where opportunity and necessity entrepreneurs are likely to differ. Moreover, the literature often emphasizes that individuals possess different traits and some of them are more suitable to entrepreneurship than others, including self-determination, ability to control life and low risk-aversion (e.g., DeWit, 1993). A person who is being “pushed” into starting up in business is less likely to have such traits compared to an individual who actively seeks a business opportunity, and is thus less likely to appreciate the work traits associated with self-employment. The resulting dissatisfaction may eventually lead to negative consequences such as high levels of stress and poor health (Parker, 2004).

Moreover, since the necessity entrepreneur’s main motivation to start up in business is to find a source of livelihood rather than to exploit a lucrative business opportunity, one interpretation is that they are less likely to be satisfied with their income than opportunity entrepreneurs. Then again, it is possible that necessity entrepreneurs are satisfied with less in general, as they have had to lower their expectations concerning appropriate levels of job rewards due to the lack of alternative opportunities in the labour market (Agho et al., 1993; Hulin et al., 1985). This may moderate their income-related satisfaction level.

In sum, it seems that necessity entrepreneurs are more likely to be satisfied with their self-employment and this dissatisfaction may be channelled more via the work traits component than the income one, due to necessity entrepreneurs having lower income expectations in the first place. Hence, we formulated the following tentative propositions:

Proposition 2a: Necessity-based start-up has a negative impact on the willingness to continue in self-employment (entrepreneurial satisfaction).

Proposition 2b: The indirect negative impact of a necessity-based start-up on entrepreneurial satisfaction targets more strongly the individual's dissatisfaction with the work traits of self-employment rather than their dissatisfaction with the level and regularity of income generated from the business.

Background Characteristics

Furthermore, an exploration of the related literature led us to add three background characteristics as control variables to the research model: gender, maturity of the business and previous entrepreneurial experience.

Although the number of women entrepreneurs has grown in recent years, women's entry into business ownership has been seen to face a number of different barriers compared to men. Women's dual responsibilities of household and family versus employment as well as the low level of income in industries that women often favour are seen to be the main reasons to decrease enthusiasm towards entrepreneurship (e.g., Allen and Truman, 1991; Orhan and Scott, 2001). However, the evidence on gender-specific push-effects is conflicting. Reynolds et al. (2002) claim that the share of male necessity entrepreneurs is slightly higher than the share of female necessity entrepreneurs, while other studies suggest that female entrepreneurship is more often necessity-based (e.g. Minniti, 2006; Orhan and Scott, 2001). One explanation is that decline in traditionally female-dominated industries has resulted in more women being "forced" to create their own businesses (Mazzarol et al., 1999). This explanation is consistent with the current Finnish policy discourse on necessity entrepreneurship, which particularly targets female-dominated industries such as hairdressing, beauty care and cleaning services. Therefore, our working proposition is as follows:

Proposition 3a: Female entrepreneurs are less willing to continue in self-employment than male entrepreneurs.

Previous research has showed that the early years in business are crucial for long-term business survival. Studies have proved that only a minority of those who become self-employed remain self-employed for more than four years (Evans and Leighton, 1989; Hamilton, 2000). Moreover, approximately 40 percent of the self-employed fail within their first year in business (Evans and Leighton, 1989). The probability of departures from self-employment decreases with the duration of self-employment (Holmes and Schmitz, 1996; Lin et al., 2000; Taylor, 1999). In terms of satisfaction, two interpretations are possible. First is that the newly self-employed may experience excitement with their new career which causes them to be particularly satisfied, while the satisfaction wears off as years pass and the business becomes more routine. This might apply more to opportunity rather than necessity entrepreneurs. The second interpretation is that the newly self-employed are less satisfied because they experience confusion with the new situation and challenges of being in business for oneself, but become more satisfied as they learn to cope. However, previous research does not support either of these interpretations because no clear differences have been found in satisfaction levels between newly self-employed and more experienced entrepreneurs (Bradley and Roberts, 2004). Thus, we do not make a prediction as to the direction of the potential influence of the maturity of the business on entrepreneurial satisfaction, but simply propose that:

Proposition 3b: Maturity of the enterprise has a positive or negative impact on the willingness to continue in self-employment (entrepreneurial satisfaction).

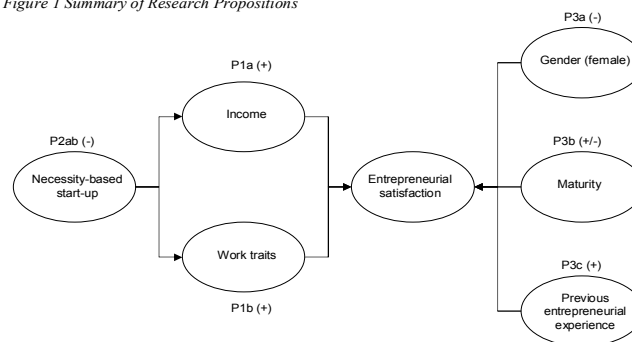
Given that earlier research has found that previous entrepreneurial experience positively influences the likelihood of establishing a business (Rotefoss and Kolvereid, 2005) and that a number of differences between novice and serial entrepreneurs exist (Alsos and Kolvereid, 1999; Westhead and Wright, 1998), it seems prudent to control for serial entrepreneurship also in the context of necessity-based start-ups and entrepreneurial satisfaction. Here, novice entrepreneurs refer to individuals who establish a business without previous entrepreneurial experience, while serial entrepreneurs have founded one or more businesses before the current one. MacMillan (1986, cited in Alsos and Kolvereid, 1999) described serial entrepreneurs as individuals who are motivated by the excitement and challenges associated with the creation and ownership of business enterprises, which suggests that they are more likely to be satisfied

with self-employment, especially the work traits associated with it. Moreover, Ucbasaran et al. (2003) argue that serial entrepreneurs may enjoy an experience advantage compared to novice founders, since serial entrepreneurs have had the opportunity to acquire resources and learn in their previous entrepreneurial career. Hence they may be better equipped to run their businesses, thus deriving more enjoyment and potentially also more (regular) income from their business.

Proposition 3c: Serial entrepreneurs are more willing to continue in self-employment than novice entrepreneurs.

Figure 1 summarizes the preceding discussion graphically. The next section describes the data, measures and methods used in the empirical analysis, followed by the results of the hierarchical regression and PLS path model analyses of 778 young Finnish micro enterprises.

Figure 1 Summary of Research Propositions



METHODOLOGY

Data

The empirical data was collected in late 2006 by means of a representative survey of recently established Finnish small businesses. The survey was conducted as part of a research project commissioned by the Finnish Ministry of Labour to investigate necessity entrepreneurship in Finland. The sample was drawn from the Business Register maintained by Statistics Finland. The sampling frame included all small businesses (excluding agriculture) founded in 2000 or later, until and including August 2006, amounting to a total of 97,804 enterprises. A random sample of 3900 firms was drawn and questionnaires were sent out by regular mail. 939 usable responses were received by the deadline, giving a response rate of 24.1 %. This can be considered satisfactory based on previous experience. However, even though the sampling frame was limited to businesses established in 2000 or later, the sample contained 89 enterprises which had been founded in the 1990s. This is probably due to changes in the firm's name, ownership or legal status, which had caused the business to re-register 2000-2006.

Since necessity entrepreneurship has become a topical issue in the Finnish policy discussion only recently, we wanted to focus our analysis on those firms which have been founded in 2000 or later. Therefore, firms which had been started before 2000 were removed from the sample, leaving a total of 850 responses. Moreover, necessity entrepreneurship is particularly associated with solitary self-employed, i.e. those who do not employ any co-workers, and more generally with entrepreneurs who run very small businesses. Hence, we narrowed down the scope of the analysis to micro enterprises, which according to the conventional EU definition are those firms that employ less than ten people. In the Finnish business landscape these firms comprise approximately 93 % of the total business population (Statistics Finland,

2005). We also excluded all cases (30) where the respondent had not indicated the number of employees in the firm.

The final sample used in the following analysis thus comprises 778 micro enterprises. Approximately half of the respondents in the final sample (51.4 %) do not employ other people than themselves, while 19.8 % had one employee and the remaining 28.8 % between two and nine employees. Most of the respondents operate their businesses in the service sector (55.9 %). The rest of the enterprises are engaged in trade (16.3 %), construction and estate services (15.2 %), transport and logistics (6.7 %) and manufacturing (5.9 %).

Measures

Three of the constructs depicted in the middle in Figure 1 – entrepreneurial satisfaction, income and work traits – were measured with three to four items on a seven-point Likert scale. The items were based on a review of the relevant literature, the main points of which were summarized above. Indices were created by averaging the scores of the individual items. The Cronbach alpha values for the scales range from 0.68 to 0.85, which indicates satisfactory scale reliability (Table 1).

In order to facilitate comparability, the subjective perception of having started up in business out of necessity was measured analogue to the question used in the Global Entrepreneurship Monitor (GEM) studies. Thus, we asked the respondent to assess the following statement on a seven-point Likert scale: *‘Generally speaking, did you experience starting up your own business more as a necessity or opportunity?’*. The value “1” indicated “definitely necessity” and the value “7” referred to “definitely opportunity”. Since the purpose of this study is to investigate the impact of a necessity-based start-up on subsequent entrepreneurial satisfaction, the scale was inverted so that the value “7” now indicates “definitely necessity”. In keeping with the Finnish GEM results (Arenius et al., 2004), the share of respondents indicating that their start-up was motivated primarily by necessity is very low. Only 10.3 % of the sampled entrepreneurs evaluated their start-up motivation with a value above the midpoint four on the aforementioned scale where necessity takes the value “7”. Therefore, most Finnish entrepreneurs start their businesses because they want to exploit a business opportunity.

Turning to the right-hand side of Figure 1, we have gender, maturity of the business and previous entrepreneurial experience as control variables. Gender was coded as a dummy variable with the value “1” indicating that the respondent is female. The gender distribution of the final sample shows that 62.7 % of the respondents were male and 37.3 % female. This is parallel to previous research results in Finland, which have indicated that entrepreneurial activity levels are lower among women (Arenius et al., 2004). Maturity of the business was operationalized as the number of years the business has operated since it was established. The mean age for the sampled firms was 2.5 years with 37.3 % being younger than two years, 44.0 % having had operated between two and four years, while 18.7 % had been on the market for five to six years. Previous entrepreneurial experience was coded as a dummy variable with the value “1” indicating that the respondent had (co-)founded one or more businesses before establishing the current enterprise. Based on this criterion, 29.1 % of the sampled entrepreneurs could be classified as “serial” (Alsos and Kolvereid, 1999) or “habitual” (Ucbasaran et al., 2003) entrepreneurs.

Analysis

We approached our explorative analysis in two phases. In the first phase we used hierarchical regression analysis to examine the direct effect of a necessity-based start-up on subsequent entrepreneurial satisfaction. Here, we wanted to control the effect of all the other variables in the model (Figure 1) to isolate the unique contribution of a necessity-based start-up in explaining the variance in entrepreneurial satisfaction. The regression model was assessed in three steps. In the first step, we entered the variables related to the background characteristics (gender, maturity of the business, previous entrepreneurial experience), while income and work traits were entered into the equation in the second step. Finally, after the effects of all these variables had been controlled for, necessity-based start-up was entered into the model in order to determine its direct and unique contribution in explaining entrepreneurial satisfaction. In the second phase of the analysis, we turned to the indirect effects of a necessity-based start-up on

subsequent entrepreneurial satisfaction via satisfaction with the income and work traits associated with the current self-employment (Figure 1). For this purpose we utilized the Partial Least Squares (PLS) approach (Wold, 1985; Chin, 1998) with SmartPLS 2.0.M3 (Ringle, Wende and Will, 2005). While other methods of structural equation modelling – such as the covariance-based LISREL or AMOS – are more common indeed, we decided in favour of PLS due to its predictive nature and suitability for explorative research (Chin, 1998).

DATA ANALYSIS AND RESULTS

Hierarchical Regression

We began the analysis by looking at the Pearson correlations between the measures of the study. Table 1 presents the correlation matrix of all variables. The correlation analysis shows that income and work traits correlate positively and significantly with the dependent variable and each other, providing preliminary support for Propositions 1a and 1b. Further, a necessity-based start-up correlates negatively and significantly both with the dependent variable and with income and work traits. Thus, Propositions 2a and 2b concerning the negative effect of a necessity-based start-up on entrepreneurial satisfaction receives initial support. The intercorrelations between the three main independent variables are moderate, however, and do not indicate serious multicollinearity in the sample. This conclusion was supported by the collinearity statistics provided by SPSS as part of regression analysis.

TABLE 1. Means, standard deviations and intercorrelations (N=778)[†]

	mean (s.d.)	1.	2.	3.	4.	5.	6.
<i>Independent variables</i>							
1. Necessity-based start-up	2.18 (1.56)	1					
2. Income (Cronbach α : 0.85)	3.85 (1.42)	-0.26**	1				
3. Work traits (Cronbach α : 0.68)	5.71 (0.85)	-0.38**	0.31**	1			
4. Gender (37.3 % female)	-	-0.01	-0.09*	0.14**	1		
5. Maturity of the business	2.50 (1.92)	-0.02	0.05	-0.06	-0.12**	1	
6. Entrepreneurial experience (29.1 % had established a business before the current one)	-	-0.02	0.01	-0.05	-0.17**	-0.03	1
				0.47**			
<i>Dependent variable</i>							
7. Entrepreneurial satisfaction (Cronbach α : 0.75)		-0.42**	0.48**		0.01	0.02	-0.02

Pearson product-moment correlation coefficients. * $p < 0.05$, ** $p < 0.01$.

[†]The number of cases lost due to missing values (pairwise deletion) varies but accounts for no more than 3 % of total N.

None of the background characteristics correlates with the dependent variable and only gender reaches a statistically significant correlation with two of the main independent variables, income and work traits. Thus, women seem slightly less happy with their self-employed income and somewhat more satisfied with

the work traits associated with entrepreneurship than men. Further, being female is negatively associated with the maturity of the business and previous entrepreneurial experience.

Next, we tested the impact of a necessity-based start-up on subsequent entrepreneurial satisfaction by employing hierarchical regression. Normality, linearity and homoscedasticity of residuals were examined and discovered to be acceptable by using the diagnostic tools available in SPSS. With the use of a $p < 0.001$ criterion for Mahalanobis distance (Tabachnick and Fidell, 2007), no outliers were identified.

Table 2 presents the results of the three-step hierarchical regression. In the first step, we entered the variables related to the background characteristics (gender, maturity of the business, previous entrepreneurial experience). None of these characteristics turned out to be a significant determinant of entrepreneurial satisfaction. The standardized coefficients are close to zero as is the explanatory power of the first model. Therefore, Propositions 3a-c are rejected.

TABLE 2. The impact of a necessity-based start-up on subsequent entrepreneurial satisfaction: Regression results

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
Gender	0.01	-0.01	0.00
Maturity of the business	-0.01	0.00	-0.01
Entrepreneurial experience	0.02	0.02	0.01
Income		0.37***	0.34***
Work traits		0.36***	0.28***
Necessity-based start-up			-0.23***
Adjusted R^2	0.00	0.35	0.39
F -value	0.15	80.29***	79.93***
Change in R^2		0.35	0.04
F -value for Change in R^2		200.38***	51.18***

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$. Standardized coefficients reported. Pairwise deletion of missing values (N=753).

In the second step, satisfaction with the income and work traits associated with the current self-employment were entered into the equation. As shown in Table 2, income and work traits are both significant at the $p < 0.001$ level with almost equal weights (standardized coefficients), while gender, maturity of the business and previous entrepreneurial experience remain not significant. The results were significant ($p < 0.001$) and the model explains 35 % of the variance in entrepreneurial satisfaction. Hence, Propositions 1a and 1b are supported.

Finally, in the third step, necessity-based start-up was added to the regression model after the effects of all other variables had been controlled for. The results show that necessity as a major motive behind the start-up decision has a negative and statistically significant direct effect on entrepreneurial satisfaction. This finding supports Proposition 2a. The resulting model is significant at the $p < 0.001$ level and explains 39 % of the variance in entrepreneurial satisfaction. Thus, necessity-based start-up explains an additional 4 % of entrepreneurial satisfaction. The change in R^2 is statistically significant at the $p < 0.001$ level.

In sum, in the final model necessity-based start-up has a significant negative effect on entrepreneurial satisfaction, while income and work traits have significant positive effects (all at the $p < 0.001$ level). The three background characteristics are not significant and thus add next to nothing to the explanation of entrepreneurial satisfaction. Thus, Propositions 1a, 1b and 2a are supported, while Propositions 3a, 3b and 3c are rejected. Examining the regression coefficients in Model 3 in Table 2, it appears that the strongest predictor of entrepreneurial satisfaction is the individual's satisfaction with the current level and regularity of income, followed by their satisfaction with the work traits associated with their current self-employment

and the degree of perceived necessity as opposed to opportunity as the major motive behind the start-up decision.

PLS Path Model

Having examined the direct effect of a necessity-based start-up on subsequent entrepreneurial satisfaction, we next turn to the indirect impact via satisfaction with the income and work traits associated with the current self-employment. For this purpose we chose to run a simple PLS path model. Given that the background characteristics were found to be not significant in the regression model, we did not include them in the structural model in order to maintain transparency. Thus, the model includes one single-item (necessity-based start-up) and three multi-item constructs (income, work traits, entrepreneurial satisfaction).

Measurement model assessment. Construct reliability was assessed by calculating Cronbach's alpha, Composite Reliability and Average Variance Extracted (AVE) (Table 3). All constructs show satisfying levels that are in keeping with the usual threshold values of 0.7 for Cronbach's alpha and Composite Reliability and 0.5 for AVE (Chin, 1998). For all of these constructs, all item measures show loadings of more than 0.7 apart from two items in the work traits construct. However, even these were only marginally below the threshold value (0.64 and 0.69). Therefore, in order to maintain comparability with the regression results and given that the construct reliability measures were satisfactory, we decided not to delete any items.

TABLE 3. Construct reliability measures for the PLS path model

Construct	Cronbach's α	Composite reliability	AVE
Income	0.85	0.91	0.77
Work traits	0.72	0.83	0.54
Entrepreneurial satisfaction	0.78	0.87	0.69

Discriminant validity was assessed both at the item level and at the construct level. With respect to item discriminant validity, an inspection of indicator cross-loadings reveals that all indicators are loading at their highest with their respective construct and that no indicator loads higher on other constructs than on its intended construct. It is therefore safe to assume item discriminant validity. At the construct level, each reflective construct's AVE is compared with squared latent variable correlations (Chin, 1998). The results presented in Table 4 suggest that there is indeed satisfactory discriminant validity since the AVE for each construct exceeds the respective squared latent variable correlations.

TABLE 4. Construct discriminant validity – squared latent variable correlations (off-diagonal elements) versus average variance extracted (diagonal elements)

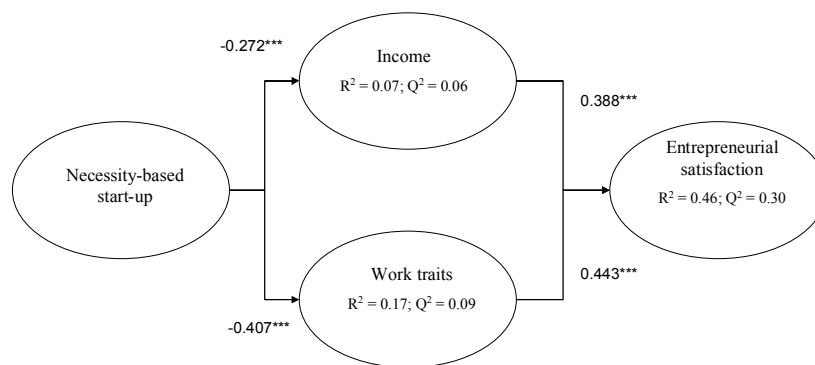
	Income	Work traits	Entrepreneurial satisfaction
Income	0.77		
Work traits	0.10	0.54	
Entrepreneurial satisfaction	0.28	0.32	0.69

Structural model assessment. The path model shown in Figure 2 was estimated utilizing the path weighting scheme, which is the only weighting scheme that explicitly considers the conceptual model directions of the causal relationships between exogenous and endogenous variables (Chin, 1998; Lohmöller, 1989). Following common conventions, the abort criterion for the iterative estimation process is selected as a change of the estimated values of just 10^{-5} percent between two iterations. A standard bootstrapping

procedure (Yung and Bentler, 1996) with 500 re-samples consisting of the same number of cases as in the original sample was applied in order to determine the significance of each estimated path.

Results show that all paths in the model are highly significant ($p < 0.001$) indicating that a necessity-based start-up indeed has an indirect impact on subsequent entrepreneurial satisfaction via satisfaction with income and work traits. Moreover, the Q^2 values associated with the Stone-Geisser-Criterion being higher than zero points towards the interpretation that the model is of satisfying predictive relevance (Chin, 1998). This indicates that an interpretation of the conceptual model's causal relationships is possible. While the paths from necessity-based start-up to both income and work traits are significant, the path coefficient to work traits is somewhat higher. Further, the variance explained by a necessity-based start-up is considerably higher in the work traits construct than it is in the income construct ($R^2 = 0.17$ versus $R^2 = 0.07$). Hence, the impact of a necessity-based start-up appears to be stronger via the individual's (dis)satisfaction with the work traits rather than the level and regularity of income associated with their current self-employment. Thus, Proposition 2b is supported.

Figure 2 Results – partial least squares path model



* $p \leq .05$; ** $p \leq .01$; *** $p \leq .001$ (based on one-sided t-test with 500 df)

DISCUSSION AND CONCLUSIONS

Recent developments in the business landscape such as vertical de-integration, lean production and outsourcing in larger firms are seen to contribute towards a rise of new forms of precarious (self-) employment in Finland and elsewhere in Europe (Kautonen et al., 2007a). The idea of employers outsourcing former employment relationships into new working arrangements where the employees become self-employed subcontractors has received increasing political and media attention in Finland. Terminology such as necessity, involuntary and forced entrepreneurship/self-employment has been applied in this context. The basic idea is that the employee is “pushed” into becoming a self-employed subcontractor even though their preference would be to stay in an employment relationship. While the policy discussion has particularly focused on the juridical questions related to the employment status of the new self-employed (Vainio, 2007), the actual necessity of entering self-employment and its economic and social consequences at the individual level have received less attention. This paper sought to examine the impact of a necessity-based start-up on subsequent entrepreneurial satisfaction, which was defined as the individual's preference to continue in self-employment as opposed to returning to paid employment in case the latter became a viable option.

The empirical analysis was based on a sample of 778 Finnish micro enterprises founded in 2000-2006. The results showed that a necessity-based start-up indeed has a negative and statistically significant direct impact on subsequent entrepreneurial satisfaction. That is, those individuals who start up in business because they feel there is no better alternative are also more likely to want to switch back to paid employment when this becomes a realistic option. Thus, the negative situational factors leading to a perception of necessity at the start-up stage appear to have long-term effects. However, the actual unique contribution of the perceived degree of necessity to explaining entrepreneurial satisfaction was fairly small.

Moreover, the analysis demonstrated that a necessity-based start-up has a moderate and statistically significant indirect impact via satisfaction with the income and work traits associated with the current self-employment. While the effect is statistically significant via both of these constructs, it is channelled more through satisfaction with the work traits than it is via satisfaction with the level and regularity of income. Therefore, starting up because of a lack of better alternatives on the labour market causes more dissatisfaction with the actual characteristics of work as self-employed rather than with the level and regularity of the individual's income and livelihood. This indicates that while necessity entrepreneurs do not seem to struggle to earn their livelihoods in self-employment, they are more likely to feel personal unsuitability to self-employment than other entrepreneurs. This, on the other hand, may have negative consequences such as stress and poor health (Block and Wagner, 2006; Parker, 2004).

In conclusion, the results suggest that while starting up in business because of necessity rather than out of a desire to exploit a business opportunity contributes to lesser satisfaction with self-employment later in the entrepreneurial career, the contribution of a necessity-based start-up to overall entrepreneurial satisfaction is in fact fairly small. In terms of the recent political discussion on necessity entrepreneurship, the individual-level consequences of becoming self-employed due to a lack of viable alternatives do not seem to pose a serious policy issue. However, the finding that necessity entrepreneurs are more likely to feel less satisfied with their actual work as self-employed suggests a need to consider their general well-being and occupational health in further research.

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