

6-10-2017

## INEQUALITY IN BUREAUCRATIC ORGANIZATIONS AS DRIVERS TO ENTREPRENEURSHIP IN HIGHLY SKILLED WORKERS (SUMMARY)

Vivek Kumar Sundriyal

Lund University, Sweden, Vivek\_Kumar.Sundriyal@fek.lu.se

Frédéric Delmar

Lund University, Sweden

---

### Recommended Citation

Sundriyal, Vivek Kumar and Delmar, Frédéric (2017) "INEQUALITY IN BUREAUCRATIC ORGANIZATIONS AS DRIVERS TO ENTREPRENEURSHIP IN HIGHLY SKILLED WORKERS (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 37 : Iss. 8 , Article 10.

Available at: <https://digitalknowledge.babson.edu/fer/vol37/iss8/10>

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact [digitalknowledge@babson.edu](mailto:digitalknowledge@babson.edu).

 SUMMARY **INEQUALITY IN BUREAUCRATIC ORGANIZATIONS AS DRIVERS TO ENTREPRENEURSHIP IN HIGHLY SKILLED WORKERS**

*Vivek Kumar Sundriyal, Lund University, Sweden*  
*Frédéric Delmar, Lund University, Sweden*

**Principal Topic**

Purpose of this study is to test a model where employees' relative wage position and employer's relative performance affects careers of highly skilled employees in their decision to venture into entrepreneurship and how it differs across highly skilled groups across organizations. The investigation is important since wage is determined not only by the employees' education and performance, but also by employer performance. Bureaucratic organizations pay premium wage to highly skilled employees, and high performing organizations pay higher premium than low performing ones. This wage premium is recognized as driver of wage inequality. For employees performing above average, the pyramid shape of bureaucratic organizations limits possibilities for career advancement. Faced with limited advancement opportunities, employees might seek alternate career attainment options outside organization, such as entrepreneurship. For employees performing below average, entrepreneurship might represent a more lucrative option. However, in both cases, decisions to enter entrepreneurship is connected to the potential loss of premium wage specific to their employer organization, where high performing organizations are more likely to retain employees than low performing ones.

**Method**

We investigate our research using linked employee-employer dataset provided by Statistics Sweden. The combined dataset consists of 79,247 individuals nested in organizations across industries from entire Swedish population from 2002-2008. Our restricted analytical sample of 3,543 employees from the science and technology workforce started a new job in the firm and ventured into entrepreneurship in incorporated firm. Our dependent variable is the decision to venture into entrepreneurship into incorporated firms. We use multilevel mixed-effects complementary log-log regression model to take advantage of the clustered information in our dataset.

**Results and Implications**

Using wage as proxy for employee skills and sales growth sales as proxy for organizational performance, our research reveals that propensity to enter into entrepreneurship is in general higher for employees who earn relatively less than other employees within the firm, indicating an effect of within firm wage inequality. Taking firm performance into account, we observe that decision to venture into entrepreneurship increases marginally for high performing individuals in high performing bureaucratic firms. However, the propensity to venture into entrepreneurship drops for high performing individuals in low performing bureaucratic firms.

**CONTACT:** Vivek Kumar Sundriyal; Vivek\_Kumar.Sundriyal@fek.lu.se; (T): 462224283; School of Economics and Management, Lund University, P.O.-Box-7080, S-220-07 Lund, Sweden.