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Rehearsing entrepreneurship: Identity formation in the transition to entrepreneurship after an emotional job loss

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Abstract

Purpose - This paper investigates how a new entrepreneurial identity forms in conjunction with prior work-related identities during sponsored self-employment after an emotional job loss.

Design/methodology/approach - We empirically examine why some dismissed employees failed and others succeeded in transitioning from a wage-earner career via corporate sponsorship to a career as an entrepreneur, investigating how they meaningfully constructed (or did not) an entrepreneurial identity.

Findings - Our findings show that it is the simultaneous preservation of central attributes of prior work-related identities and the engenderment of new entrepreneurial attributes that support the formation of an entrepreneurial identity and that a liminal state, in which people practice entrepreneurship at work, may facilitate identity transition.

Originality - This paper demonstrates that the initial entrepreneurial endeavour is based on prior work-related identity and identity congruence between prior work-related identities and a projected entrepreneurial identity is of great importance for the identity transition. However, we also show that incongruence may in some cases turn into congruence if entrepreneurs are given the opportunity to experiment with provisional entrepreneurial selves in a risk-free environment (so-called liminal states).

Keywords
Entrepreneurial identity, Entrepreneurial transition, Identity, Entrepreneurship, New venture creation, Identity incongruence, Liminal state.
Introduction

The decision to become an entrepreneur represents a major change, not only in one’s career, but also of life in general. When this decision starts with a job loss, it is likely to affect the transition into entrepreneurship emotionally (Haynie and Shepherd, 2011). A job loss is a devastating event in anyone’s career, particularly when it involves the abrupt loss of a treasured workplace. This was the case for around 1000 employees at Nokia Denmark, who were dismissed due to a mass layoff (Vuori and Huy, 2022). Of these employees, 59 were sponsored by Nokia to start their own company. They received a severance package, a grant, mentorship, access to Nokia resources, and networking support with local incubators (Sucher and Gupta, 2018). These employees had to make sense of their loss, while establishing a new career as entrepreneurs.

This paper examines how individuals who experienced job loss and were then offered an opportunity to move into entrepreneurship make this transition by engaging in identity formation. We address the question of whether corporate programs can proactively promote successful entrepreneurial careers. To answer this, it is crucial to explain the individual-level context in which such a program unfolds. A discontinuous career transition, as the one sparked by Nokia’s closure, represents a complex and extreme circumstance that threatens the meaning of “self” (Demetry, 2017) and calls for a reconstruction of a new meaning (Conroy and O’Leary-Kelly, 2014; Ashforth and Schinoff, 2016). We found that some dismissed employees failed in this reconstruction, while others succeeded. To explain the difference in entrepreneurial outcomes between those who persevered in self-employment and those who gave up, we apply an identity perspective (Baker and Powell, 2020; Petriglieri, 2011) to investigate how these individuals meaningfully constructed (or not) a new meaning of self as entrepreneurs (Fauchart and Gruber, 2011, Radu-Lefebvre et al., 2021).
While entrepreneurship scholars have increasingly employed the notion of identity to further the understanding of founders as enterprising individuals and how identity systematically shapes new venture creation, strategic actions, and other important consequences (Mmbaga et al., 2020; Foy and Gruber, 2021), the identity formation process during a transition from employee to entrepreneur remains poorly understood (Seibert et al., 2021). Specifically, how entrepreneurs manage the multiplicity of identities they occupy when building their organizations remains unclear (Radu-Lefebvre et al., 2021). In line with recent calls for research on the heterogeneous pathways of entrepreneurship (Garcia-Lorenzo et al., 2020) and on the role of displacing events in the transition from paid work to entrepreneurship (Seibert et al., 2021), we examine identity formation when it occurs in the aftermath of an emotional job loss.

Emotions and identity are important during career transitions into self-employment that occur after a job loss, since this is an event that brings about conflicting changes in the perceptions of self that are likely to initiate a process of identity reinvention (Shepherd and Haynie, 2009; Cardon et al., 2012). Employees who lost their jobs in relation to a site closure inevitably go through several perceptions and emotional reactions, for example a tremendous sense of loss, mourning, bereavement, sorrow, and fear of the unknown (Stengård et al., 2015). Even though the role of emotions has received growing attention in understanding entrepreneurial action and behavior in recent years (Baron, 2008; Hayton and Cholakova, 2012), specific focus on cases where people go into self-employment after a job loss is largely absent in the entrepreneurship literature. We argue that starting a new venture based on a need and lack of alternatives is different from starting a new venture based on a deeply felt aspiration or opportunity recognition. The Covid-19 pandemic has thrown many people into sudden unemployment, and for many people self-employment is the only alternative.
Understanding how the starting point affects the entrepreneurial transition from an identity lens can explain whether people persevere in an entrepreneurial career they did not initially dream of having. The theory we develop explains how and why an entrepreneurial identity emerges in individuals that were dismissed after a long career as employees. Our research extends the understanding of entrepreneurial identity formation processes by unpacking the specific internal mechanisms – identity preserving and identity engendering – which individuals develop and deploy when engaging in such transition after a job loss. We also provide practical insights for managers and policy makers in assessing the effects of start-up support programs.

Identity formation in the journey from employment to self-employment

Entrepreneurial identity (hence forward EI) is central when the founder role is important to an individual’s self-concept (Hoang and Gimeno, 2010). However, an individual does not develop such a self-concept overnight just by formally founding a new venture. Entrepreneurs internalize own meanings and self-definitions as they engage in a wide range of entrepreneurial activities and group memberships (Mmbaga et al., 2020). Since EI develops to have highly distinctive and multiple features, this leads to considerable variations in the perception of what it can mean to be an entrepreneur (Baker and Powell, 2020). The entrepreneurial transition is a process during which individuals, through their practice, begin to act and see themselves as entrepreneurs and therefore it refers to an identity formation process. Identity formation thus involves individuals assuming a specific role and/or social identity (Radu-Lefebvre et al., 2021). We argue that EI does not emerge in a vacuum but is part of an ongoing evolution and assessment based on prior experiences, present actions, and future self-projections. Therefore, we study the interplay between prior work-related identities, liminal states, and EI prototypes.
The role of prior work-related identities in the entrepreneurial transition

Sometimes, the decision to become self-employed is triggered by a painful job loss, followed by a deeply felt loss of a work-related identity and group membership (Petriglieri, 2011). In such cases sparked by an identity threat, people feel grief and struggle in making sense of oneself (Ashforth, 2001; Shepherd and Williams, 2018). They must assume a new identity, while holding on to other, potentially competing pre-existing identities (Hoang and Gimeno 2010). In doing so, they experience a disconnect between present and future identities and must somehow “take stock, re-evaluate, revise, re-see, and re-judge” their work-related identities (Strauss, 1997, p. 102).

As in any social domain, individuals in organizations need to make sense of who they are and how they fit into their surroundings (Ashforth and Schinoff, 2016). Work-related identity refers to “aspects of identity and self-definition that are tied to participation in the activities of work or membership in work-related groups, organisations, occupations and professions” (Dutton et al., 2010, p. 266). It encompasses attributes, beliefs, values, motives, and experiences in terms of how people define themselves in a professional role (Ibarra, 1999). According to social identity theory (Tajfel, 1978), people vary in their degree of organizational identification; some identify so strongly that the attributes they use to define themselves are similar to those that define their organization (Ashforth, 2001) and those attributes can be more salient than other identity attributes they hold (Dutton et al., 1994). If forced to part with the organization they may feel a deep existential loss (Haslam et al., 2019). Some people recover from the existential loss (Crosina and Pratt, 2019) by using identity nostalgia to maintain a sense of continuity with the past, while allowing for the formation of a new identity (Bojovic et al., 2020).

While recovery from identity loss is related to the ability to formulate coherent narratives of a new self (Haynie and Shepherd, 2011), there are limited insights on how the loss of work-related identity affects the formation of a new identity.
Entrepreneurial transition as a liminal state for experimenting with identity prototypes

Understanding the formation of an EI calls for recognition about how people make sense of a new identity by socially testing and validating identity prototypes (Ashforth, 2001; Shepherd and Williams, 2018). In this process, there is an interval between letting go of the old and moving to the new (Conroy and O’Leary-Kelly 2014), a “betwixt-and-between” condition when one is no longer in the original state but has not quite reached the new one (Prashanthama and Floyd, 2019, p. 513). This liminal state entails a heightened level of reflexivity (Garcia-Lorenzo et al., 2018) in which a person goes through a process of self-construal during which “who I was” gives way to a sense of “who I am becoming” (Conroy and O’Leary-Kelly, 2014, p. 67).

In this process, the person disengages psychologically from one prior role identity to re-engage in a dissimilar identity of a second role (Ashforth et al., 2000). This represents a process where multiple coexisting identities are combined and gradually change into a new set of identities (Murnieks et al., 2014). For nascent entrepreneurs, liminality shapes the origins of EI development, determining how the new identity is generated, formed, and eventually integrated into existing self-concepts (Hayter et al., 2021). During this state, the entrepreneur experiments with different ‘provisional selves’, i.e. temporary constructs used to bridge a person’s current self-conceptions and the representations of what attitudes and behaviours may be expected in the new role (Ibarra, 1999). Liminal states are said to provide a safe space for identity to develop (Demetry, 2017). However, liminal states are also found to be periods of great struggle marked by negative emotions (Shepherd and Williams, 2018) and by ambiguous and incomplete identifications (Daskalaki and Simosi, 2018). Worse yet, individuals may choose to abandon a liminal state without forming an alternative identity (Hayter et al., 2021). Even if they are disorienting, confusing and full of unexpected twists and turns, liminal states can still be constructive and work as enablers of identity
transitions because they provide access to realistic and attainable role models (Prashanthama and Floyd, 2019).

When novel entrepreneurs seek to make sense of their new entrepreneurial selves, they draw on prototypical images of an EI (Demetry, 2017). Identity prototypes are “cognitive representations that both describe and prescribe a broad array of attributes encompassing behavioural norms, values, beliefs, feelings, and attitudes that form the basis for making meaningful distinctions between members of different groups” (Powell and Baker, 2017, p. 2383). They describe group memberships and roles, for example through representations of exemplary members or ideal types (Haynie and Shepherd, 2011) and are defined by the central and peripheral characteristics representative of a given role.

In the early stages of the transition, prospective entrepreneurs seek to adapt their behaviour to fit with some vision of valued ‘entrepreneur’ roles (Ashforth et al., 2000). Regarded as critical points of references for individuals to learn and model observed behavior (Newbery et al., 2018), identity prototypes can fuel decisions to embrace a self-definition as an entrepreneur (Radu-Lefebvre et al., 2021). Entrepreneurial prototypes are clear to some novel entrepreneurs but are ambiguous to others (Bartel and Wiesenfeld 2013; Hogg and Terry, 2000). In cases where prospective entrepreneurs do not have direct access and exposure to entrepreneurial role models, they draw on pre-existing narratives or stereotypes of entrepreneurs, mainly from the media, to enact provisional selves in the liminal state. This may provide inexperienced founders with a means to better comprehend the day-to-day elements of identity construction (Down and Warren, 2008).

The entrepreneurship literature applies the concept of liminal state to describe the transition of individuals who intentionally chose self-employment and took necessary measures to do it (e.g., resigning from their job), as well as scientists willing to develop a new commercialization-focused
entrepreneurial identity (Hayter et al., 2021). Yet, it lacks insights into cases where individuals enter self-employment due to a job loss while supported by corporate programs.

The congruence or incongruence between multiple identities

The prior work-related identity as employee cannot be neglected in this transition because EI formation requires that individuals manage multiple and sometimes conflicting identities (Radu-Lefebvre et al., 2021). Entrepreneurs have multiple identities that co-exist and that are chronically salient in everyday work (Mathias and Williams, 2018). EI typically co-exists with a person’s other non-entrepreneurial identities (Jain et al., 2009; Cesaroni et al., 2021). Identities are often organized in a salience hierarchy, where individuals may be more committed to certain identity facets than to others, and self-representations that can be justified as representative of self are more likely to be internalized than those that clearly contradict self-believes (Ibarra, 1999). Broadly speaking, the structure of identities chronically salient to founders are characterized as either singular and therefore congruent, multiple and “congruent,” or multiple and “incongruent” (Baker and Powell, 2020).

When there is congruence between a person’s emergent EI and other existing self-identities (Haynie and Shepherd, 2011), a person’s multiple identities are likely to blend and be equally emphasized. Identity congruence reduces psychological tension, enabling individuals to cope better with adversity (Powell and Baker, 2014) and devote more cognitive resources to develop a unique identity constellation integrating an EI with prior identities (Froidevaux et al., 2018). In contrast, incongruence between different representations of self produces negative emotions (Conroy and O’Leary-Kelly, 2014), leading to a faltering formation of a new identity (Demetry, 2017). In fact, when entrepreneurial experienced behaviors clash with identity prototypes, the formation of EI is affected by a decrease in salience (Newbery et al., 2018).
Intriguingly, incongruent identities are not always mutually exclusive and may co-exist and even blend into a hybrid or authentic identity *despite* incongruent features (Shepherd and Haynie, 2009). Therefore, the entrepreneurial transition does not necessarily involve abandoning one identity for another (Conroy and O’Leary-Kelly, 2014). It may also lead to compartmentalization (maintaining different identities separate from one another), aggregation (connecting separate identities) or even integration (merging different identities in a ‘morphing process’) (Jain et al., 2009; Radu-Lefebvre et al., 2021). What is more, conflicting relationships between multiple identities may evolve throughout an entrepreneur’s lifetime, giving rise either to synergistic and fruitful relationships or to a peaceful coexistence (Cesaroni et al., 2021). Research on entrepreneurial transitions does however not fully explain how and if different identities blend during the liminal state in which people are ‘imposed’ to take on an identity label (the EI).

*Summary and research question*

Whereas recent theorizing assumes heterogeneity in the identity structure of entrepreneurs (Baker and Powell, 2020), we need explanations for why some identities are incongruent, while others are congruent. Either way, we seek explanations of how nascent entrepreneurs manage their multiple identities in the transition from employment to self-employment. This incomplete understanding can be partially explained by the opposing foci of this research field, alongside its fragmented nature (Mmbaga et al., 2020; Radu-Lefebvre et al., 2021). Some studies focus on cognitive and reflective aspects of the transition: others on social and behavioral aspects. For example, research on EI prototypes emphasizes the creation of an entrepreneurial image, while the work-related identity literature refers to how prior identities affect new identity formation. Furthermore, research on identity formation zeros in on how multiple identities co-exist and merge, while research on liminality focuses on the process of letting go of one identity and paving the way for another. To
better understand what influences the formation of an entrepreneurial identity, we seek a holistic explanation of how these different mechanisms relate to each other.

If entrepreneurial transitions are liminal states, the self-reflexivity and construction of self-narratives are influenced by the simultaneous enactment of numerous identities. In line with Powell and Baker (2014; 2017), who view social identities as aspirations for founders to run their firms in ways that create role identities, we see the entrepreneurial transition as both a site of reflection about possible selves and a site of enactment of role identities, where novel entrepreneurs simultaneously reflect and act; perceive and behave; alone and in interaction with others (Stets and Burke, 2000). Our work thus resonates with recent research that integrates role and social identity theories to advance explanations of how entrepreneurial agency and social environment interact for the formation of EI (Baker and Powell, 2020; Mmbaga et al., 2020).

Therefore, we address the following question: Why and how does a new entrepreneurial identity emerge (or not) in conjunction with prior work-related identities during a corporate-sponsored self-employment after a job loss? Specifically, we investigate the identity formation mechanisms that facilitate or hinder the development of an entrepreneurial self.

Data and methods

Our study draws on primary and secondary data collected between two to five years after the launch of Nokia’s corporate start-up sponsorship in Denmark, the Bridge Program. The various sources are integrated to support triangulation of data and build a consistent and accurate examination of the case study (Jick, 1979). We applied a qualitative and inductive method because we aim to generate theory from the data (Siggelkow, 2007) and we studied a novel focal phenomenon (i.e., a corporate-sponsored self-employment program) that seemed to challenge some
of the tenets of entrepreneurial transition, enabling new theorizing (Bansal and Corley, 2012). Inductive methods thereby enable us to discern nuances that complement large-scale deductive work (Sieger et al., 2016). Grounded theory methods are appropriate for answering the why and how elements of our research question (Glaser and Strauss, 1967). To the best of our knowledge at the time – what was later confirmed by Sucher and Gupta (2018) – Nokia’s approach to the mass layoff was unprecedented. Besides, our goal from the onset was to investigate individual experiences in deeply contextualized patterns: feelings, motivations, self-perceptions, attitudes, and behaviors. These are constructs that are difficult to measure in deductive research, but that benefit from an analysis grounded in what is important to the respondents (Eisenhardt et al., 2016). In a similar fashion, other seminal contributions in the EI field have applied the grounded theory approach (e.g. Fauchart and Gruber, 2011; Powell and Baker, 2014; Demetry, 2017).

Research setting
In April 2011, Nokia Denmark’s employees were informed that Nokia’s development department would be closed by the end of 2012 as part of a larger disinvestment strategy (Vuori and Huy, 2022). Around 1000 people lost their jobs. On the day after the announcement, The Bridge Program was launched to help employees develop new opportunities after ending employment at Nokia. Among five tracks, Bridge’s entrepreneurship track started in the summer 2011. It comprised encouragement for entrepreneurial activities designed to last 18 months and included a severance package consisting of full salary for a minimum of six months up to 1.5 years after contract termination. The track also offered training, funding, and help with identifying business opportunities. Participants could apply for support in the form of a €25,000 grant with no equity ties involved as well as professional consultancy via an acceleration program, the licensing of
Nokia-owned technology, computers, favorable bank loans, and free-of-charge use of facilities (Sucher and Gupta, 2018).

We analyzed the 59 employees who participated in the entrepreneurship track. They had to develop and pitch a preliminary business plan to be accepted into this track. The vast majority had no experience setting up new ventures and most underlined how the Bridge Program was extremely or very important to their decision to become full-time entrepreneurs because it provided both direct financial support and detailed information about tricks of the entrepreneurship trade. The program took place during September and October 2011 via mentorship and master classes to support the Nokia entrepreneurs refine their business plan, accounting aspects, and ownership structures. In a nutshell, the entrepreneurship track was designed to smoothly integrate laid-off employees to their new work realities.

Data collection and data analysis

Data collection started in March 2013, when we conducted expert interviews with the head of the Bridge Program in Finland and the former managing director of Nokia Denmark to gather detailed insights about Nokia’s closedown and the Bridge Program as well as to negotiate data access. Together with these two experts, we identified our target population as the 59 individuals who were admitted to the entrepreneurship track of the Bridge Program in Denmark. We used a questionnaire to gain access to the informants and thirty-four usable answers were returned and out of these 28 individuals consented to do an interview. The survey data provided descriptive statistics that improved our understanding of the case study.

We carried out 23 semi-structured interviews with 28 individuals of the entrepreneurship track between October 2013 and January 2014. The interviews totaled 24 hours of recordings. The questions we employed were open-ended and semi-structured, to provide the interviewees with the
freedom to express their opinions and potentially add issues not originally contemplated. Most of the interviews were held in English, while some were conducted in Danish to respect individual preferences. All the interviews were audio recorded and transcribed for coding purposes.

The primary sources were supplemented by secondary data collected via the new ventures’ webpages, their official registries, LinkedIn profiles, corporate reports made available by Nokia, and 27 newspaper articles about the program were analyzed. The webpages and LinkedIn profiles were visited again three years after the interviews (2016), to collect updated information of the informants’ status. The secondary data helped us gain general facts and background information in preparation for the interviews and to expand upon and validate the primary data.

The analysis of the data went through five coding stages. Based on our coding in rounds 2 and 3, we were able to identify four different groups in terms of entrepreneurial transition trajectories. Departing from our codes and inspired by Fauchart and Gruber (2011), we used the tool of types to analyze the data in a more structured way. Based on this analysis, we were able to label the four types in terms of their most salient identity. The groups are: Natural entrepreneurs, Breadwinners, Corporate citizens, and Experts and they experiences the transition very differently.

In Table 1 we provide a detailed overview of the entire coding process. Because this study has gone through numerous coding stages, it can mostly be characterized as a “messy” process, through which we were eventually able to confirm solid findings regarding the role of identity in the transition into self-employment after a job loss. While the first round was informed by a deductive approach, from then on, we proceeded with a grounded theory approach (Glaser and Strauss, 1967). After the fifth and final round, we were able to see clear links between prior work-related identities, entrepreneurial identity prototypes, and the actual enactment of entrepreneurial identity. These relationships are unwrapped in the analysis and in the discussion.

[Insert Table 1 here]
Findings

Our findings are presented by reconstructing the entrepreneurial transition starting from the day of the mass layoff to the period shortly after our respondents entered into pure self-employment without support from the Bridge Program. We frame this period as a liminal state.

Table 2 specifies how the four types – The Natural entrepreneurs, Breadwinners, Corporate citizens, and Experts – differed on several identity dimensions: EI prototypes (Powell and Baker, 2017), the level of congruence between prior identity and EI (Powell and Baker, 2014), and the extent to which an EI eventually emerged (Haslam et al., 2019; Hoang and Gimeno 2010). EI prototypes were either ambiguous or unambiguous (positive and negative), while prior work-related identity and EI were either congruent or incongruent. Out of the 28 entrepreneurs from our sample, the types are divided as follows: 6 Natural Entrepreneurs (5 persisted in self-employment), 8 Breadwinners (None persisted), 4 Corporate citizens (One persisted), 10 Experts (All persisted).

[Insert Table 2 here]

Prior work-related identities

All the entrepreneurs were articulate about their sense of belonging in Nokia, their social relations with colleagues, and their feelings related to Nokia’s closure when they had to cope not only with a job loss but also a loss of social relations. However, they differed in the degree and nature of identification.

The Natural entrepreneurs had an interest in venture creation even prior to the Bridge Program. A few had previously established a business and others had considered this career before being dismissed. They stated identification with entrepreneurial role models:
“I regularly considered if I should do something else. I’ve always wanted to be an entrepreneur and create my own company prior to starting at Nokia, but the stars just hadn’t aligned.” (INT. 4)

When the opportunity came, it did not take them long to become excited and see the job loss as a favorable chance. Natural entrepreneurs did not dwell for long in the ‘I’m a Nokian’ mentality and felt that an association with the company had a negative connotation:

“But they smell of losers; it’s not the winning team. Nokia has failed. So, if you have been part of a failing organization, you also failed somehow.” (INT. 1)

They did not consider other Bridge tracks, or applied for other positions, and they had no doubts that they wanted to start their own business. Some reported various business ideas from the onset, and they were conscious about what it took to be an entrepreneur, including the challenges involved:

“When we started the company, I told the other guys that this is not a company that will make us rich because we will make a lot of mistakes on the way, so, basically, it’s just a learning experience. Maybe if we are lucky, we can make some money. If you only look at how to make money fast, you shouldn’t start a company such as ours.” (INT. 4)

They were motivated by these challenges and saw venture creation as a means of pursuing self-interest for autonomy and, in the long-term, personal wealth and achieving self-fulfillment and emancipation.

“I think the basic motivation is one we all share: That we would like to create our own company, to create something unique. So that’s sort of what drives us . . . to one day maybe hire people and to create a company that creates value.” (INT. 1)

*All the Breadwinners* expressed the importance of having a permanent job in a company. Their salient identity was not entirely clear. However, their roles as providers for their families mattered a lot and they chose the entrepreneurship track to prolong their financial security and to buy time while looking for what they called a ‘regular’ job:

“I could keep my salary for more than a year, and that really was the point that made me brave enough to start a company. Also, because I have a family and I had a reasonable salary,
and I also had a certain living standard that I tried to keep, it was really what made the difference.” (INT. 13)

Breadwinners did not see themselves as entrepreneurs and did not aspire to it. They frequently mentioned the support they could earn from Nokia, but did not have reflections about the long-term perspectives of an entrepreneurial career, and they seemed to focus on their own lack of typical start-up skills:

“The man who coached me and this other man had to determine if I should have a kick start, the Bridge funding, or not, and so I had to make a business plan, and that I had never tried before.” (INT. 8)

Breadwinners did not express many reflections about their affinity with Nokia either, so their prior work-related identity was not hinged upon a strong identification with previous workplace.

*The Corporate citizens* loved working at Nokia, and they described their time in the company in highly affective terms. They portrayed a job with an abundance of resources, wonderful friendships, great amounts of creativity, and where everything was possible. Many started their careers in Nokia when they had not yet established a family, and their jobs were the center of their lives. They described how work and leisure often melted together, and how their colleagues became personal friends:

“In the beginning, what made it special was that we were a very young team making the Nokia 3210, one of the biggest successes out of Copenhagen. All of us were right out of university. One or two experienced guys were in the team, and we worked like crazy, like 70 hours sometimes, to build this product. We had teambuilding at least once a week and went out on the weekends and got drunk. It was just like one big party all the time. No girlfriends, no family, no kids. Or maybe there was a girlfriend, but you know, we were really busy young guys having fun.” (INT. 15)

All Corporate citizens referred to their colleagues in Nokia as ‘family’, explaining that they shared the same journey, from the happy early days to the downfall. Their repeated references to such strong bonds suggest a cohesive and extraordinary group membership, which was their salient work-related identity:
“It is, or was, a big family, you could say, which of course is also one reason why it was sad when they decided to close it down. What did we have in common? I would say it was maybe most of all the journey. It sounds a bit ridiculous, but many of us had worked there for a long time. So, I guess that’s what made us part of a family.” (INT. 16)

When the shutdown was announced, Corporate citizens had strong emotional reactions. At first, they were shocked, but this was followed by sadness and a sense of grief. Corporate citizens could not imagine what a life after Nokia would look like and felt that nothing could compete with their previous jobs. Many stated that they had expected to work for Nokia until retirement; they therefore never seriously considered other options, let alone becoming entrepreneurs:

“Like most people, I was sad that it was going to close. I had this feeling of what now? What can compete if I go out and look for other jobs? What can be at the same level as being at Nokia?” (INT. 16)

Choosing the entrepreneurial track was not an obvious choice to them. Many also considered other tracks of the Bridge Program, and their final choice was more accidental than deliberate. Corporate citizens preferred to start their new ventures with other Nokia employees, indicating that their entrance into entrepreneurship was highly motivated by the opportunity of maintaining social relations with old colleagues:

“It was in August, like four or five months before I ended my time at Nokia: One of my old friends just started making apps for the fun of it . . . So, it was actually not my own [idea], but he suggested starting a company together.” (INT. 16)

Eventually, Corporate citizens came to see the Bridge Program as an opportunity, possibly opening a new career trajectory at low risk and with the prospect of social continuity.

*The Experts* saw Nokia as a place where they had great opportunities to explore and exploit their competences. They differed from Corporate citizens in that their most salient identity was their professional (expert) group membership. Being a specialist was their most dominant object of identification:

“We are all actually pretty confident about our own skills, so we know that, if something goes really bad, we can find a day job with not too much trouble (…) We could see that we
were delivering a lot of value for Nokia and we were very confident that we could deliver this value for others afterwards”. (INT. 20)

The group membership of Experts was with other peers in their field of expertise, inside and outside Nokia. Even if working for Nokia was an important part of how they saw themselves, their professional identity as experts seemed more salient. The entrepreneurship track was not an obvious choice for them. Many of them explored possibilities in the job market, but they soon began to consider the entrepreneurship track:

“I said, okay, now there is a chance to try something new or to get to another job, but then, that’s when they mentioned this opportunity, helping you to learn more about start-ups and stuff like that. I said, okay, this I think is a good idea.” (INT. 22)

Experts saw it as an opportunity to continue with their professions, using their skills, doing what they were good at:

“We tried to cover all the know-how we’ve been getting in the years of Nokia, and tried to convert that to software, so that people would not spend time configuring the system. So, that’s what added value: we transformed our knowhow well into learning.” (INT. 19)

The four types thus varied in terms of what was their most salient work-related identity, and these differences turned out to be a key determinant for the transition. Not only did prior work-related identities induce behaviors during the entrepreneurial transition and the engagement with the Bridge Program, but it also affected the formation of an entrepreneurial identity.

**Entrepreneurial prototype creation**

The abrupt job loss involved a disruption to our subjects’ work-related identity. It triggered an identity loss to most, requiring a surrender of the current meaning of self and realignment to a new meaning. In the first two months, they had to decide whether to join the entrepreneurship program. To be accepted in the program, they had to perform activities such as writing a business plan, where they had to sketch the key elements of their new venture and experiment new roles (e.g., finding customers). Through these early activities, they began to develop a sense of what this career path
meant in terms of central attributes, values, behavioral expectations, as well as the daily life, thereby forming cognitive representations of an identity prototype. In this process, some entrepreneurs developed unambiguous identity prototypes, while others were ambiguous.

Natural entrepreneurs had a positive image of entrepreneurship; the values and social significance attached to entrepreneurial group membership were described as attractive and exciting, even if they were aware of the hardship involved too. They were conscious about what it took to be an entrepreneur, including the challenges involved:

“It was an interesting experience being an entrepreneur, and it is something I want to try again (…) I knew I could think logically under stress, and that is really important when you start a company because it never turns out the way you think.” (INT. 6, previously self-employed)

In contrast, the idea of being an entrepreneur was unattractive to Breadwinners and they often envisioned a pessimistic image, perceived to be highly risky and uncertain. Financial aspects were often mentioned to explain how an entrepreneurial career jeopardized their standard of living. From the beginning, they perceived being self-employed the same as not having a fixed income, but thanks to the Bridge program, they were able to avoid this inconvenience for some time:

“To have a salary for a year and a half was what made this great. It is fantastic.” (INT. 10)

Both Natural entrepreneurs and Breadwinners went into the Bridge Programs with a clear prototype and determination in relation to an EI: The latter were determined to reject it, while Natural entrepreneurs were determined to embrace it.

Inversely, Corporate citizens and Experts had vague and even conflicting representations of the EI prototype as they were both attracted to and afraid of being entrepreneurs. Corporate citizens did not have very elaborate ideas of what it meant to be an entrepreneur. In some cases, they had positive and idealistic images of entrepreneurship as providing high degrees of freedom:

“And the reason why I chose to do something on the Web is I wanted to create something you can live off of that is not depending on time and place… Basically, for me, that’s ultimate
freedom. I could do whatever I’d like. If we can create this business and make money from that, we could go sailing, or travel, or do whatever. So, that’s the ideal dream.” (INT. 18)

In other cases, they were afraid of the great financial risks:

“I always wanted to do something and build my own company, but having a great job with Nokia, you know, normal hours, having a good salary, it’s really hard to go out and just earn nothing, so I didn’t have the guts to do it” (INT. 15)

Similarly, Experts saw entrepreneurship as a promising, yet an insecure career. They worried about the financial uncertainty as they expressed that they did not have a risk-oriented mindset. The Bridge program gave them the courage to give it a try, providing them with financial security and business support:

“To be an entrepreneur, you have to have a certain mindset. With the conditions we got here, we saw a lot of people becoming entrepreneurs who otherwise wouldn’t have ever taken the chance. So, of course, it’s a softer start compared with what you would see in San Francisco or in other places where people just go without salaries for a year before making it or failing.” (INT. 22)

Without neither a positive nor a negative prototypical image of entrepreneurship, they were torn between embracing or rejecting it.

For all four types, EI prototypes were instrumental in the transition, because it was through them that they could get cues for their provisional EI.

Entrepreneurial identity experimentation during the liminal state

Upon admission to the entrepreneurship program, our entrepreneurs entered a liminal state where they moved from paid employment to paid self-employment, while simultaneously working to create a new identity. The next phase in their journey in becoming an entrepreneur was experiencing these behaviors (Newbery et al., 2018). In our empirical context, the liminal state was unique for several reasons. Rather than a “structurally imposed condition” (Garcia-Lorenzo et al., 2020, p. 4), our liminal state was purposefully designed. The Bridge Program extended the liminal interval through paid self-employment, which in practice meant that our subjects worked on setting
up a new venture as a typical entrepreneur while at the same time receiving a salary as a normal employee. The architects behind the Program characterized it as a *rite of passage*, moving from Nokia into the unknown of entrepreneurship and it was supporting a spirit of *go out and try things*. It provided an opportunity to “test entrepreneurial waters” (Demetry, 2017) in a financially safe manner, while at the same time experiencing a realistic preview of life as entrepreneur (Raffie and Feng, 2014). Our entrepreneurs could take on the typical roles of an entrepreneur, as well as get a sense of the group they belonged to, thereby projecting themselves into an entrepreneurial identity.

The entrepreneurship program constituted ‘a playground’ where our subjects could figure out what being an entrepreneur meant. Especially those who had ambiguous EI prototypes used the liminal state to build clearer perceptions. It was through the enactment of entrepreneurial activities during the liminal state that the image of an entrepreneur could come alive. Some types coped better with the entrepreneurial roles than others, depending on the extent to which there was congruence between the emerging EI and the prior work-related identity.

*Incongruence between prior work-related identity and entrepreneurial identity.* Breadwinners and Corporate citizens experienced identity incongruence between prior work-related identity and EI. Their journey was mostly characterized by the desire to uphold central parts of their prior work-related identities.

The EI diverged so fundamentally with the self-image of the Breadwinners and with their personal goals that they did not put a lot of time and effort in negotiating their identity during the transition. They held negative EI prototypes and, given the glaring discrepancies and inconsistencies, they did not engage in EI engenderment. Reality was tough on Breadwinners, and they perceived their new work tasks as being hard and that they often put efforts into activities that led to nothing.
“Before you know it, you spend months on things that are not going to help you produce a product, and suddenly, it’s going to get very cold fast because you don’t have any income. You only have expenses.” (INT. 13)

Despite expressing that they lacked entrepreneurial skills, Breadwinners did not participate in the many activities offered by the Program. Rather, they were hesitant and stuck in a wage earner mentality, unable to cope with the uncertainties of entrepreneurship. They made only limited efforts in starting their companies, like creating visibility around them:

“My company website? It never came online, no. No, I bought the domain name, so it is mine, but I never put anything online.” (INT. 7)

Having a time-limited income and not knowing what their activities would lead to were insurmountable issues to the Breadwinners that seemed to overshadow the daily activities as entrepreneurs, and they could not envision self-employment without the corporate support:

“I think it would be really nice if this entrepreneurship thing could be set up in a building somewhere, where you have more time, at least for like two years to sit and work without thinking about rent and whatever. I think more people would be able to go on without making money.” (INT. 14)

As they moved into self-employment, some Breadwinners felt lonely because they were used to being surrounded by a lot of people:

“It’s like the Lucky Luke life, you know. It’s like riding your horse in the desert, and then sometimes you get to a city. And if you are social and get energy from other people, if you are this extroverted kind of guy, then it’s very difficult to always work alone as a Lucky Luke. So that’s working against me.” (INT. 10)

The sense of loneliness was even stronger for Corporate citizens. Self-employment was incongruent with their self-state representations, and it caused emotional distress. This induced them to keep socializing with ex-colleagues, actively trying to maintain their group membership for as long as possible. For example, Corporate citizens chose to remain at the Nokia premises, and they expressed that staying together gave them a sense of still having the Nokia family. However, slowly they began to realize that it was not what it used to be:
“Many of us had been with Nokia for years, and our cars almost drove automatically into the parking lot in the morning. The cafeteria was still open; we sat in the same buildings we had been sitting in before, till the point that it seemed the salaries would soon stop being paid out. Then, reality set in.” (INT. 18)

After Nokia sold its offices to another organization, the entrepreneurs were evicted, and some Corporate citizens were hit hard by this news:

“Offices became empty, and the cafeteria closed, you know. Slowly, the new owner of the building moved in, and new locks on the doors, just gradually. . . And then, we were kicked out. Then, it closed – really!” (INT. 15).

At this point, the Bridge Program was still in effect. However, being expelled from the Nokia premises was a defining moment to Corporate citizens, as it represented a physical dissolution of their Nokia group membership. Some Corporate citizens described this process as dying a slow death:

“Actually, I think that was the day that was more definitive for me, that day we were kicked out of the building, and we really had to do something (…) The journey, for lack of a better word: This feeling didn’t disappear, but it turned out to be a prolonged death…” (INT. 15)

After moving out, they adamantly continued to cultivate their Nokia group membership by continuing to frequent ex-Nokians recalling the ‘good old days’:

“We really use our network (…) it is a network where you can just call a guy, you haven’t seen him for a couple of years now, but you can call him and you can ask him for guidance…. So, it was, it is a strong network, and I think that will go on for years. We are really proud of being ex-Nokians.” (INT.15)

One and a half years after they had been laid off, Corporate citizens still talked about their time at Nokia with great nostalgia. Nevertheless, they became aware that clinging on to their past would not help them move on. They knew something had to change and they expressed the need to distance themselves from the Nokia days. For example, one said that staying in the facilities was maybe not such a good idea after all:

“The drawback was that the Nokia management was still here, and they treated you like you were still a Nokia employee. And you kind of said, okay, now, I’m building my own
company. I’m doing things that I need to do in order to build my own identity and identities for my employees, and then you actually were kind of still Nokia.” (INT. 17)

Unlike Breadwinners, Corporate citizens tried to invest emotionally in their new businesses, and they wanted to succeed. They described the various roles they performed as entrepreneurs: salesmen, accountants, strategists, etc. However, fulfilling these roles was difficult for them. In their own ventures, they had to be generalists and take care of all functions simultaneously and they were struggling with this.

With the Breadwinners and the Corporate citizens, there was a complete identity incongruence between their prior work-related identities and their new reality of uncertainty and instability. Because they strived predominantly to preserve the core facets of their entrenched identities (what we term identity preserving), the incongruence remained. Their mechanisms for identity preserving differed significantly. While Breadwinners used the Program to look for other opportunities for paid work, Corporate citizens tried, albeit unsuccessfully, to emulate Nokia’s social environment. Although Corporate citizens were unable to keep attachment to old colleagues to the extent wanted, the energy put into maintaining prior identities inhibited them from shaping new entrepreneurial identities. Instead, the two roles conflicted, and this weakened the formation of the less salient EI and impeded the morphing of a new EI into existing identities.

*Congruence between prior work-related identities and entrepreneurial identity.* Both Natural entrepreneurs and Experts experienced identity congruence between prior work-related identities and an EI. Their transition journeys presented similarities, as they were both shaped by two mechanisms: 1) identity preserving and 2) identity engendering. Identity preserving refers to an attempt to retain central attributes of prior work-related identities during new venture creation. Identity engendering is an attempt to expand one’s identity with central features of an EI through a morphing process (e.g., taking the tasks associated with the new role and forming new
relationships). Nevertheless, there were differences in how and why they enacted the two mechanisms.

The job loss was not hard for Natural entrepreneurs and their transition was effortless. They were eager to move into an entrepreneurial career and quickly distanced from their previous environment:

“I think some people are still stuck in the past. The most frequent discussions on these LinkedIn forums for ex-Nokians is about why we failed, who is to be blamed. I just feel like I moved on. I don’t really feel any connection to these ex-Nokians. . . . I don’t really feel the urge to see the ex-colleagues, you know.” (INT. 1)

Once they started their new ventures, Natural entrepreneurs displayed a positive stance and a sense of comfort and enjoyment with their new positions:

“This is the funniest thing I have ever done. . . . It is also the most expensive I have ever done (smiles).” (INT. 2)

Because the EI confirmed their self-image and personal goals, they did not need to put a lot of effort in negotiating their identity during the transition to entrepreneurship; they could easily preserve their prior identity alongside the new entrepreneurial one. As Natural entrepreneurs began to internalize EI prototypes, they began to enact the emergent EI exhibiting prototypical entrepreneurial behaviors and mindsets (identity engendering):

“This company is designed with a purpose, and that is to make an exit, to sell it. This is how I’ll get financial leverage to work on some of the other projects that I have. So yeah, it’s on its way out” (INT. 2)

Their identity prototypes coincided well with their own identity aspirations, and these matched their actual experiences as self-employed. They had envisioned facing great challenges, high risks, and high uncertainty, and this turned out to be true. But they also envisioned positive aspects, such as having freedom, creating jobs, building up something from scratch, and seeing value being created, and this also turned out to be true. There were no unpleasant surprises, no
mismatches between the past and the present. In this sense, there was congruence between prior work-related identities and their nascent EI.

Experts had a different experience in the liminal state: They were focused on moving into a new career as employed and they put their full attention into it. Experts were sad to lose their jobs, but they were conscious that they had to cut their bonds with Nokia. As a result, they tried to distance themselves from that environment. For example, not taking part in social activities with ex-colleagues and by not staying in Nokia’s facilities:

“Technically speaking, we had one square meter for a few months, but we were never there. Basically, we fairly quickly came to the conclusion that we needed somewhere else to be, also to sort of cut the relationship with Nokia. We needed to move on. Nokia was a great thing. It was a great time. But now we are Microcorp [fictitious name]. We need to establish ourselves as being Microcorp, not the guys working at Nokia.” (INT. 27)

Experts still struggled to handle life as entrepreneur with the myriad of new roles, including sales activities. This was something that they no prior experience with and referred to as a nuisance, since they were surprised by how much effort it took to build up relations with partners:

“There is a different speed (...) We’ve been in contact with major companies where we went all the way up to the level before the CEO and everything was a done deal, and then, suddenly, they got to the board, and then the board says, ‘This is not in line with our strategy, so we cannot do it.’ Meanwhile, we have wasted three months, preparing documents and sharing information and . . . the main learning is to understand what is a waste of time.” (INT. 27)

Nevertheless, Experts had a strong link between the past and the future in terms of transferring the knowledge, skills, and abilities learned at Nokia and effectively leveraging these competencies in their start-ups. All of them developed businesses that drew to a high extent on what they had previously done at Nokia:

“This is some fundamental software that you actually find in all of the test systems. We made three of these while at Nokia … and it is clear that the learnings from that we could easily use in our new ventures.” (INT. 19)
They were aware of how to transfer competences and they purposefully built new ventures around them, and this also gave the Experts access to a network of ex-colleagues working at potential client firms and partners. They reduced the uncertainty of an entrepreneurial career by re-creating familiar work tasks and relations, thereby continuing the most salient parts of their prior work-related identities, layering into that an EI. Experts used identity preserving to establish a new business in such a way that they could draw on their competences and experiences and thus keep their attachment to a particular professional community. Because their professional identities reflected their salient identities, they were able to maintain both. They could thus link the past and the present in relation to group memberships. In addition, they put effort in experimenting with an EI via the experiences that the Bridge Program provided and thus actively engaging in identity engendering.

*The outcomes of the liminal state*

The end of the Bridge Program represents the termination of the liminal state when the Nokia entrepreneurs entered into full self-employment. Did they develop an EI during the liminal state? Yes and no, as this section will show. The entrepreneurs who experienced identity congruence (Natural entrepreneurs and Experts) during the liminal state were able to consolidate a new EI. Natural entrepreneurs began to incorporate the attitudes and perceptions of enterprising individuals. Despite challenges, they seemed to cope well by keeping their focus on potentially promising future growth and incorporating the attitudes of a business owner.

“To break even, we need to sell 400 units a month, so it’s not so far, considering that the market is expanding very rapidly, and you have a lot of people... So, it’s not that big”. (INT. 5)

Some Natural entrepreneurs managed to raise capital for their ventures via crowdfunding websites, some moved parts of their businesses to San Francisco to connect with investors and
other start-ups. These examples reveal that Natural entrepreneurs not only talked about what it was to be an entrepreneur, but also began to display prototypical behaviors. Because they experienced overlaps between prior work-related identities and a new EI, they were able to morph the different identity features into a unique EI. Not surprisingly, five out of six Natural entrepreneurs persisted in self-employment and had active ventures five years after Nokia’s closure.

More surprisingly, Experts also were highly successful in their entrepreneurial transition. Possibly the most striking result of our study: all ten Experts persevered in self-employment, and they clearly showed signs of a nascent EI. Experts started their transition emotionally distraught by the layoff; they were new to the idea of becoming entrepreneurs; they had only vague EI prototypes to draw on; and the liminal state was a difficult time for them. Yet, as they moved into entrepreneurship, they began to practice the work of an entrepreneur and could thrive in a career as self-employed. This was because there was congruence between their prior work-related identities and EI. As they persevered with their new ventures, devoting cognitive resources to engendering their new roles, they became more confident about their life as entrepreneur:

“In the beginning, probably for the first year and a half after I was fired, people asked what I was doing. I would say, ‘Well, I work at Nokia, but now it’s closing up. Long story.’ And now, I just say, ‘Well, I have a company; I’m doing this [thing].’ And that identity changed, actually, totally. . . . I felt this switched after realising that we built something. After I had made some achievements, found my co-founder, chose to spend all of my money, the savings, put it into software. And somebody wanted to buy stuff that we created out of nothing. When they paid, when I sent my first invoice, I was very proud. So, from that point on, I think that it changed.” (INT. 23)

As entrepreneurs, Experts could maintain their salient group membership, namely their profession, because they built new ventures anchored in their expertise. They connected the knowledge, skills and contacts gained in Nokia with those required to launch a new venture. Besides, they put effort in forming new relationships and taking on new roles, i.e., the mechanisms of identity preserving and identity engendering were simultaneously at play. Despite difficulties,
their identities were not completely lost as they moved into a different career. This made it easier for them to persevere and their new and old identities could be layered paving the way for them to morph into a new EI with strong foundations in a professional identity.

In contrast, Breadwinners and Corporate citizens experienced identity incongruence and did not manage to consolidate a new EI. The disorientation and tension underlying identity incongruence led them to feel uncomfortable with the entrepreneurial prototype. At the end of the Program, many Breadwinners referred to their obligations to their families and how an entrepreneurial career jeopardized their standards of living:

“Unfortunately, it hasn’t been good enough to support our families in a way that we are used to.” (INT. 9)

Breadwinners had constant worries about the high risks of losing money and, above all, how that could affect their private finances:

“It is very important that we avoid accumulating debt. It isn’t funny if you get out on the other end owing half a million to someone (...). It is important that we can leave the sinking vessel quickly and without costing us anything.” (INT. 10)

Unsurprisingly, Breadwinners did not transition well into an entrepreneurial career. As they moved into full self-employment, they continued to refer to themselves mostly in terms of wage earners and caretakers. From the onset they had a clear and negative image of entrepreneurship, and the liminal state was insufficient to bridge their divergent identities. All eight Breadwinners returned to full-time employment and closed their ventures.

Identity incongruence also prevailed among Corporate citizens. They were eager to give it a try as long as they had their salaries, but when that income stopped, their enthusiasm and confidence stopped, too. They were aware of this, and some concluded that after all, they were not ‘real entrepreneurs’:

“Knowing that I had a salary for a year, right. (...) the mindset for a lot of people stopped when the salary stopped. So, that’s where you could see the 'real entrepreneurs'; they
continued, and basically, all of the other guys went for a job . . . At the end of their grace periods, it was: ‘Okay, I can’t do it anyhow.’” (INT. 17)

Corporate citizens did not transition well into an entrepreneurial career and three out of four returned to full-time employment. They used the program to kickstart their business, but they never became neither truly comfortable nor did they perceive themselves as ‘real entrepreneurs’.

On the surface, Corporate citizens and Experts appeared similar, but they did differ. The liminal state did not facilitate the transition for Corporate citizens because they continued to intensely *preserve* their Nokia group membership, cultivating everything related to it while not being able to simultaneously engage in new group memberships for *identity engendering*. Perhaps due to their strong attachment to everything ‘Nokia’, there never was space for a new EI to develop, or perhaps there was not enough time. Eventually, because their different identities were incongruent, the emergence of a less salient EI lost to the more dominant existing identity.

**Discussion and conclusion**

Corporate start-up sponsorships are rare, but with rising global economic turmoil and corporate focus on social responsibility amid the COVID-19 pandemic, we are likely to see an increase in both mass layoffs and corporations or governments seeking to help dismissed employees transition into new careers, for example as entrepreneurs. But are such sponsorships worth the money? Can anybody kickstart an entrepreneurial career on such grounds? The short answer is, yes. Sponsoring novel entrepreneurs provides a safe space to become adjusted to the new career, without financial pressure or other immediate threats, and with time to develop a new sense of self as entrepreneurs. Applying identity theory, we explain why and how some dismissed employees succeeded in transitioning from employee careers to careers as entrepreneurs, while others failed. It became clear
that the entrepreneurial transition is not about reinventing a new identity, but rather it is a morphing process in which multiple and often contrasting identities coexist.

*Explaining heterogeneity in entrepreneurial identity formation during the liminal state*

Based on our findings, we developed a theoretical framework that explains EI formation, as illustrated in Figure 1.

Our model represents a scenario where people lost their jobs, were forced to find other careers, were given the opportunity to get into a sponsorship program, and therefore started a business. This represents an important contingency for our model, which implies that prior self-categorizations are abruptly threatened due to an external influence and therefore the entrepreneurial transition starts with an identity threat.
Figure 1. Entrepreneurial identity formation in the liminal state

Source: Authors’ elaboration
Prior work-related identities feed a baseline of identities that shapes aspirations for novel entrepreneurs, and at the same time represent a key antecedent to the development of a salient EI because of their lasting imprinting effect inducing behaviors, attitudes and perceptions during the entrepreneurial transition. Specifically, when self-perception is endangered by an external sudden episode, people strive to maintain (at least partially) their pre-existing group memberships or roles via the *identity preserving* mechanism. Akin to Seibert *et al.* (2021), our model shows that a displacing event (job loss) works together with entrepreneurial identity aspirations to transition the individual from paid employment toward entrepreneurship.

When they decide to pursue the new career, novel entrepreneurs develop an identity prototype which feeds them with cues of possible ideal behaviors and attitudes. Such prototypes may be ambiguous or unambiguous (Bartel and Wiesenfeld 2013; Powell and Baker, 2017). Individuals who are unambiguous about the identity prototype promptly embrace or reject it, as it presents a clear comparative basis for their self-perception. In contrast, individuals who form ambiguous prototypes feel greater uncertainty and discomfort, what makes the transition journey more stressful.

In the liminal state, novel entrepreneurs rehearse entrepreneurship through ongoing experimentation with an entrepreneurial work and provisional entrepreneurial selves, thereby actively making sense of and building up a new EI. At the same time, they seek to preserve salient existing identities. To those with no prior founder experience, the assessment of congruence/incongruence is based on a comparison between their prior identities and the projected entrepreneurial prototypes. In the cases where identity prototypes are ambiguous, it is hard to judge whether the entrepreneurial prototype is congruent or not with prior work-related identity, and this difficulty creates high levels of psychological tension and confusion in the liminal state. Experimenting with different ‘provisional selves’ (Ibarra, 1999) is difficult when the provisional selves are unclear. Ambiguous prototypes therefore explain why the liminal state is a site of greater
struggle to some and why some prefer not to engage in the formation of an EI: It is easier and less stressful to the hesitant entrepreneur to give in to the well-known and comfortable prior work-related identities. When novel entrepreneurs predominantly engage in identity preserving, leaving identity engendering in the background, a new EI is not cultivated sufficiently to take root. When novel entrepreneurs engage both in identity preserving and identity engendering, they are more successful in establishing the foundations for an integrated EI that overlaps with prior identities. This simultaneous enactment facilitates the extraction of oneself from a former self-concept and the formation of a new, entrepreneurial sense of self.

Theoretical implications

Our conceptual model conveys three novel theoretical insights: 1) the enactment of identity preserving and identity engendering mechanisms increases the chances of consolidation of an entrepreneurial identity; 2) congruence between prior work-related identity and the entrepreneurial identity drives a successful transition into entrepreneurship; 3) a liminal phase where people can practice to become entrepreneurs facilitates the transition when conflicting identities clash.

These theoretical insights form an answer to our overall research question: What leads the formation of a new EI in an entrepreneurial transition is a balanced and simultaneous presence of identity preserving and identity engendering. The equilibrium between these two mechanisms may be either positively or negatively affected by prior work-related identities, identity congruence, and prototype ambiguity. In response to recent calls for research that investigate how entrepreneurs reconstruct EI in relation to the host of other identities they hold (Radu-Lefebvre et al., 2021), the addition of these mechanisms represents our main theoretical contribution.

Our study advances the literature on identity formation and entrepreneurial transition. Extending the work of Haynie and Shepherd (2011) and Shepherd and Williams (2018), our model
explains the effect of prior work-related identities on the identity transition outcome: When entrepreneurship is preceded by an identity loss, the entrepreneur has difficulty letting go of his/her prior group membership and this impedes the development of a provisional entrepreneurial self. This supports the notion that an individual’s identity is sticky by nature and that individuals take proactive action to ensure the preservation of their existing identity, indicating that the salience of a prior work-related identity is a crucial factor in limiting the cognitive space for another identity to take root, especially if the existing and the new identities are incongruent.

At the same time our study shows the importance of the liminal state in facilitating the establishment of new identity features despite strong preservation of exiting identities. Entrepreneurs can *calmly* take stock, re-evaluate, and revise their identity during the liminal state, thereby facilitating the development of a new understanding of self (Ibarra, 1999). Taking a closer look at the liminal state, we broaden the notion of identity incongruence (Jain *et al.*, 2009; Powell and Baker, 2014) by suggesting that incongruent identities can develop into authentic ones when people are afforded a safe space (Ibarra, 1999) during which, they are able to bring over pre-existing salient features when building up a new EI (Hayter *et al.*, 2021). In other words, people are allowed time to find a balance between *identity preserving* and *identity engendering*.

Our study also describes why a safe space alone is not always enough to ensure an entrepreneurial transition. Contrary to existing literature on liminality (Conroy and O’Leary-Kelly 2014) which describes recovery and restoration orientation as two separate processes, our case finds that the outcome of the liminal state does not always entail the recovery from a loss. This represents a noteworthy advancement to the literature. As Hayter *et al.* (2021) note, more detailed accounts are needed to explain how liminality occurs within different contexts, including supportive ones. Despite going through a safe liminal state, some individuals are still unable to ‘put to bed’ their prior work-related identity because they preserve it too strongly. Therefore, if the prior
work-related identity remains salient and incongruent with the identity prototypes, the liminal state does not allow for the engendering of a new sense of self. We thereby explain why seemingly similar individuals transition differently into entrepreneurship.

Practical implications

Our study provides a learning opportunity for companies, entrepreneurs, and policy makers. This Nokia-sponsored experiment provides indications regarding whether entrepreneurship can be fostered through facilitating initiatives, which provide a training field (rehearsal) that allows entrepreneurs to learn-by-doing in an environment with limited risks. We show that such initiatives may help nascent entrepreneurs travel successfully through the liminal period. Seeing these programs as an identity transition can enable the sponsoring companies to better design the programs, for example, taking into consideration that it is not just a matter of providing resources and skills, but also helping the entrepreneurs reconstruct a new identity. Entrepreneurial transitions require people to reconstruct their identities, build new group memberships, and become comfortable in new roles. Therefore, corporate sponsorship programs can prepare people by providing them buffer time and thereby facilitating seemingly improbable entrepreneurs into successful ventures. As a result, some seemingly improbable entrepreneurs can successfully transition and persevere in entrepreneurship. Companies that face the challenge of dismissing a large number of employees may learn how to alleviate its social impact, thus contributing to the company’s brand and further development. Entrepreneurs who are transitioning from paid work to an entrepreneurial career may use our study to assess their identity and to become aware of how past group memberships may affect their new career path. Policy makers who aim to foster entrepreneurial behavior may learn about the outcomes of Nokia’s unique approach and the conditions under which it might work, thereby expanding the array of effective policy strategies.
Limitations and future research

This study comes with limitations. Its theoretical sampling restricts empirical generalizability. For example, the sample is limited to people who were laid off and who received extensive support in their quest for self-employment. Because corporate sponsoring programs are rare, this study’s model may be limited in its robustness across a variety of contexts. The entrepreneurs we studied were highly educated professionals with long tenure at a major firm in the high-tech sector. We speculate that these specific conditions could have equipped these individuals with the competencies that they needed to handle venture creation. Furthermore, we collected interview data at only one point in time. Even though we cannot completely rule out recall bias, we do not believe that this is a major problem for our research, as the issue of identity emerged conceptually from the data, not because we were explicitly prompting the respondents to talk about it. Additionally, to minimize reliance on one data source, we also considered secondary sources.

This work provides an avenue for future research. Researchers can scrutinize the assumptions that underlie our study’s model, extend the model’s boundary conditions, and test the relationships that we detected from the data. Future researchers could investigate the entrepreneurial transition of dismissed employees who received no start-up support or only limited incentives. Such individuals’ entrepreneurial transition would likely differ from those of the participants in this study. Lastly, we encourage the use of longitudinal, qualitative practice-based research designs that would be instrumental in further understanding of an entrepreneurial transition.
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