

# Study reveals hiring bias against former business owners

April 29 2024

---



Credit: CC0 Public Domain

Nearly 50% of new businesses fail within the first five years. Many former entrepreneurs apply for 9-to-5 jobs to get back on their feet, but new research reveals an unexpected obstacle: hiring bias.

In a [Rutgers-led study](#) published in the Spring 2024 issue of the journal *Personnel Psychology*, researchers created fake resumes and showed them to 219 people with corporate recruiting experience in high-tech manufacturing, software development, [health care](#), and other industries.

The resumes displayed virtually identical qualifications with one major exception: some of the fictional applicants were former business owners.

Researchers gave the participants three resumes and a job description and asked them to make a hiring recommendation. The results? Participants were less likely to recommend the former business owners, even though they had essentially the same qualifications for the job.

"This difference is statistically significant across various firms and industries, suggesting a systematic bias against hiring former entrepreneurs," said the lead researcher, Jie (Jasmine) Feng, Associate Professor of Human Resource Management at the Rutgers School of Management and Labor Relations. "If you're an [entrepreneur](#), you raise more red flags."

Feng and her colleagues—Danni Wang (Rutgers Business School), Lei Huang (Auburn University), and Ruoyong Zhang (Lanzhou University)—ran the same experiment before and after the pandemic and achieved substantially the same results.

Why are some recruiters biased against former business owners? They're afraid of hiring someone who's used to being their own boss.

"Entrepreneurs behave differently," said Danni Wang, Associate Professor of Management and Global Business at Rutgers Business School. "They value autonomy. They are used to making decisions on their own and taking risks. Some recruiters view that as a red flag. After all, [large corporations](#) like to minimize risks."

However, the study revealed three exceptions. Women, recruiters who are new to the company, and those with entrepreneurial experience themselves are more likely to take a chance on a former business owner.

"Women are more open to applicants with a different identity or a different set of experiences," Feng said. "Newer recruiters are less constrained by organizational norms and more willing to consider an unconventional candidate. Former entrepreneurs can relate to those who have followed a similar path."

The study urges employers to diversify their recruiting staff and to consider training and workshops to raise recruiters' awareness of biases against unconventional job applicants.

Overall, the findings add to a growing body of research about the challenges facing former business owners. Prior studies have shown that they earn significantly less money than other employees, in what's known as the "entrepreneurship penalty."

"Unfortunately for many entrepreneurs, closing their business is just the beginning of a long and difficult road," Feng said.

**More information:** Jie Feng et al, Hidden treasures or red flags? A recruiter's view of (not) hiring former entrepreneurs into corporate jobs, *Personnel Psychology* (2023). [DOI: 10.1111/peps.12607](https://doi.org/10.1111/peps.12607)

Provided by Rutgers University-New Brunswick

Citation: Study reveals hiring bias against former business owners (2024, April 29) retrieved 17

May 2024 from <https://phys.org/news/2024-04-reveals-hiring-bias-business-owners.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.