The Legacy of the Samurai: how conflict between shareholder and stakeholder logics in communities affect ventures

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ABSTRACT

In this study, we explore how institutional complexity in communities shapes the strategic orientation of new ventures. Drawing on a dataset of Japanese ventures, we explore how firms exhibit strategic orientations associated with stakeholder versus shareholder logics as exhibited by the pursuit of employment growth versus financial growth. We exploit large urban environments where a Western shareholder logic became dominant over the traditional stakeholder logic. We find that increasing community engagement results in employment gains associated with the underlying stakeholder logic. We further find that these effects are moderated by the existence of a founder-CEO who is from an urban context. Conceptualizing community engagement and founder habitus as different forms of embeddedness, we show that community engagement fosters an employment-focused strategic orientation only when aligned with the logics of the founder's origin. We discuss the implications of our findings for scholarship at the interface of institutions and entrepreneurship, and how the content of embeddedness shapes the effects of institutions and the strategic orientations of new ventures.

The true meaning of the samurai is one who serves and adheres to the power of love. — Morihei Ueshiba

INTRODUCTION

We take our inspiration for this study from the contrast between community views on a new company's purpose. In Silicon Valley, for example, billboards announce IPOs, and their growth rate and sales define unicorns. In contrast, a small community such as Green Bay, Wisconsin, has billboards to announce the jobs that a new company will bring, civic awards are granted for long term community involvement, and initiatives to bring funding to new ventures are justified in terms of the employment that will be created. Over the past couple of decades, a sizeable literature examining institutional influences on the dynamics of entrepreneurial ventures has emerged (Dowell & David, 2011; Lounsbury & Glynn, 2019; Tolbert, David, & Sine, 2011). Inspired by the insights of Stinchcombe's (1965) seminal essay on how institutional environments imprint organizations, scholars have examined how prevalent institutional beliefs and practices shape a venture's behavior to have a profound impact on their outcomes (Eberhart & Eesley, 2018; Hiatt, Carlos, & Sine, 2018; Sine, David, & Mitsuhashi, 2007).

While this stream of work has been tremendously productive, it has often taken the limited view of institutional environments as dominated by a unitary set of norms. Recent developments associated with the institutional perspective have begun to redirect the field away from such isomorphic homogeneity, documenting the prevalence of institutional complexity as well as the mechanisms by which this complexity affects organizations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Lee & Lounsbury, 2015; Thornton, Ocasio, & Lounsbury, 2012). Thus, while much of this research is attentive to established organizations, a nascent scholarship is beginning to examine how institutional complexity affects entrepreneurial ventures' creation and

performance (Reay & Hinings, 2009). For instance, Pahnke, Katila, and Eisenhardt (2015) show how different institutional logics associated with different kinds of venture capitalist firms variously influence a new venture's search for innovations. Marquis and Lounsbury (2007) show how the conflict between market and community logics enabled the creation of new community banks when national banks sought to become dominant in a community. However, little attention has yet to be directed towards how new ventures navigate such institutional complexity while establishing their initial strategic orientations.

This study explores venture outcomes in complex institutional community environments to reveal new ventures' strategic orientations and explain organizational differences between communities to address those shortcomings. This study explains how institutional complexity shapes entrepreneurial venture outcomes by examining the tension between a new venture's focus on financial growth versus employment growth. We argue that these competing foci are linked to distinctive kinds of community logics—one embracing prototypical capitalistic market practices that valorize shareholder wealth creation, and the other focusing more intently on the well-being of citizens and a wide array of stakeholders in a community (Fiss & Zajac, 2004; Lee & Lounsbury, 2011; Soule, 2009). These competing tensions are foregrounded in research on entrepreneurship that highlights how a new venture's pursuit of financial growth often undermine stability and employment, especially in densely competitive and dynamic founding environments such as Silicon Valley (Arora & Nandkumar, 2011; Bromiley, 1991; Lowe & Ziedonis, 2006).

Given our limited knowledge about how these tensions play out to affect the fate of entrepreneurs, there are increased calls for more studies that unpack how conflicting institutional conditions shape a venture's strategic orientation to employ, gain an exit, or just survive (Jennings, Greenwood, Lounsbury, & Suddaby, 2013; Wennberg, Delmar, & McKelvie, 2016; Wiklund,

Patzelt, & Shepherd, 2009).We take our starting point from the literature suggesting that a venture's strategic orientation depends on the engagement of a venture in its local community (Almandoz, Marquis, & Cheely, 2016; Marquis, Lounsbury, & Greenwood, 2011). Although there has been little cross-fertilization between the network literature on embeddedness and institutional theory, we believe that this is a particularly crucial interface to explore (Uzzi, 1996). In this spirit, we argue that a new venture's engagement in a community provides a key mechanism that moderates its strategic orientation. We argue that new ventures embedded in an environment whose dominant logic is shareholder-centric will embrace stakeholder-centered community logics that valorize stability and survival over rapid growth as community engagement increases. However, given the vast literature on how the background of entrepreneurs influences the strategic orientation of their new ventures (Beckman, 2006; Burton, Sorensen, & Beckman, 2002; Burton, Sørensen, & Dobrev, 2016), we argue that founders that are from communities where a shareholder logic is dominant will embrace a high growth strategic orientation at all costs—even in situations where a firm has worked hard to cultivate trusting relationships with a broader group of stakeholders in a community. This raises important new questions about how institutional logics affect relational trust in markets (Granovetter, 1985, 2017).

We explore these arguments by examining a unique post-war institutional conflict in Japan between legacy stakeholder community logics and the shareholder community logics introduced from the West. We use data from a matched set of nearly 23,000 ventures incorporated during 1998-2007 in Japan. In this conflicted environment, we show that as a venture becomes more deeply engaged in its local community, it has a complex curvilinear relationship between engagement intensity and employment. However, when a new venture CEO is from a community where the market logic is dominant, a monotonic and *decreasing* employment relationship

develops, even as community engagement increases. We offer a simple reasoning: as community engagement increases, social ties become more community-oriented, allowing underlying community stakeholder values to interpenetrate dominant shareholder logics. In colloquial terms, the managers of a locally embedded venture do not want to lay off their daughter's soccer team's coach. In sum, by explicating the mechanisms by which new ventures valorize community logics with a focus on employment and growth, we can predict organizational outcomes that do not narrowly depend on the access to resources to transcend sector effects and community idiosyncrasies.

SHAREHOLDER AND STAKEHOLDER LOGICS IN JAPAN

We situate our study in a context where the conflict between shareholder and stakeholder community logics are historically rooted and currently observable – urban Japan. This provides us a unique opportunity to observe an advanced economy where the conflict between these two logics is based on historical legacies. The clash between Japanese stakeholder community logics rooted in traditional values and the shareholder-centered logics adopted from the West remains a source of business and political conflict in Japan (Kumagai & Keyser, 1996). Ahmadjian and Robbins (2005) made a good case of shareholder/stakeholder conflicts in modern Japanese business that arose from post-war conditions. Starting there, we extend this to explore the community basis of stakeholder logics rising earlier during the proliferation of the merchant class during the government of the Tokugawa era (1603-1868).

Beginning with the Meiji Era (1868-1912) government, Western values of commerce and finance increasingly informed Japan's organizational action (Dore, 1983; Lincoln, 1989). The re-organization of Japan's society and political structure emulated the West as a new government sought to modernize its economy in the face of Western ascendancy. As a result, a parliamentary

government was adopted, the military followed the example of Prussia, and the economy was reorganized on U.S. models of industrial organization and trusts (Jansen & Rozman, 2014).

Shareholding corporations, commercial codes, stock markets, banks, etc. were all newly minted or adapted from existing arrangements. Modern corporations such as Nissan, Honda, and trading trusts such as Mitsubishi and Mitsu arose during these upheavals and quickly became industrial giants (Lazonick & Mass, 1995). The influence of western business practices accelerated after WWII. The U.S. occupation of Japan from 1945 to 1952 led to the reform and strengthening of labor unions, collective bargaining, and the breakup of more substantial industrial conglomerates (Okuno-Fujiwara & Okazaki, 1999). Recently, the U.S. and other Western investors invested heavily in shares of public companies and begun to influence both large firms and financial organs with financialization ideas that suffuse moderns business norms of shareholder primacy and financial objectives (Ahmadjian, 2007; Vogel, 2006).

These adopted western business norms conflict sharply with more traditional communitarian business values in Japan. Kō (see above) has metamorphized into more prosaic forms such as mutual insurance companies, yet their influence suffuses modern organizations with Japanese citizen-centered community values. The implication for organizational behavior is that Japanese firms are more likely to rely on business ties based on mutual obligation and less on opportunism and reduce transaction costs that often characterize western firms (Fukutake & Dore, 1989). Dore (1983), for instance, explains how Japanese firms pay attention to the mutual obligations among their value chain to share the gains when times are good and share the pain when times turn unfavorable. This is illustrated by Japanese firms eschewing industrial power-weaving and returned to more traditional hand-weaving in the 1980s under the pressure of community norms that favor local relationships. That these norms also interpenetrate a broad range

of Japanese company actions. Ahmadjian and Robinson (2001) explain how Japanese firms will support their employees by retaining them during difficult times, even at the cost of profit. In sum, traditional Japanese organizational behavior reflects citizen-centered community logics that emphasizes community members' mutual dependence and obligations.

The tension between Japanese communitarian values of shared relational contracting and Western norm of transactional contracting and opportunism continue to play out across Japan. After the economic contraction that began in 1990, assessments of Japan's business environment led to broad criticism that the Japanese institutional environment was unfriendly to entrepreneurial activity, beset by structural problems, and not keeping pace with emerging rivals (Anchordogy, 1997; Schaede, 2008). As Japanese policymakers and business leaders searched for remedies, many were struck by the U.S. entrepreneurial environment, especially Silicon Valley, which was enjoying unprecedented prosperity. Among many reform efforts, the influence of foreign shareholder norms rose. For instance, Softbank (a major Japanese investor in the U.S.) and the U.S. National Association of Securities Dealers (NASD) established new equity markets. CALPERS, the California public pension firm, worked to influence corporate governance in Japan into shareholder centric models by investing in Japanese firms and exerting pressure on the boards (Eberhart & Eesley, 2018; Jacoby, 2007).

Particularly in Tokyo and Osaka's metropolitan center, company board, and management structures frequently resembled U.S. companies (Ahmadjian, 2007). Moreover, for Japanese firms with foreign shareholders and structure, wages and employment went down during recessions compared to the traditional norm of maintaining wages and employment at the expense of profit (Yoshikawa, Phan, & David, 2005). As the economic performance continued to stagnate, temporary work arrangements proliferated. However, the longstanding tensions between the

Japanese community logics and western financial logics came to the fore. Thus, the logic of stakeholder-centered communities, facilitated by relational contracting that predominated in pre-War Japan, conflicted with the increasing adoption of shareholder logic imported into post-war metropolitan areas. This layering of financial and community logics allows us to examine how institutionally complex communities influence new ventures.

This special case of conflicting institutional logics affords us an opportunity to explore how shareholder and stakeholder logics play out as new ventures develop their strategic orientation—especially in urban communities where the saliency of both logics remains high to local inhabitants. Our focus is on local communities in Japan, where the conflict between Western notions of shareholder logics and Japanese logic of stakeholder logics are most distinctive. In urban communities such as Tokyo, western shareholder logics came to dominate the legacy stakeholder logics that still prevail in non-urban areas. This is of theoretical interest because we add an important new mechanism to the literature that explores such institutional complexity (Ioannou & Serafeim, 2015). Prior literature on institutional complexity has emphasized situations where logics have virtually equivalent potency (Greenwood et al., 2011). We develop novel theory about conditions where institutional complexity is characterized by a dominant logic that is contested by a hidden legacy logic that is ever-present in the background, and whose influence can be activated by a venture's increased engagement with a community. To wit, we argue that under such conditions, increasing levels of community embeddedness can consequentially affect a venture's strategic orientation concerning focusing on employment growth versus maximizing financial growth. Thus, we theorize dominant logics as permeable by a variety of initiatives associated with community engagement that enable firms to embrace the conflicting stakeholder logics to

illuminate questions of how founding conditions imprint on new ventures in a complex institutional environment (Greenwood et al., 2011; Marquis & Tilcsik, 2013).

THEORY and HYPOTHESES

Community Influence on Entrepreneurship

Since we aim to theorize how communities shape a venture's strategic orientation, we concentrate our attention on two prominent kinds of community logics—shareholder and stakeholder—that tend to be dominant in different kinds of communities. A community logic that valorizes the market is often dominant in communities that embrace neoliberalism (Lee & Lounsbury, 2015). Such shareholder centered communities often are characterized by weak unions and right-to-work laws that often limit social activism. For example, Ingram, Yue, and Rao (2010) showed how big box stores such as Walmart and Target were more likely to proliferate in such communities, while social activism prohibiting such stores in favor of local shops was more likely to prevail in progressive communities that valorized local citizens. Indeed, in locational where citizens are valorized, community members that work in organizations often have a voice to express more substantial commitments to employers that embrace the stakeholder-centered community logic (Kilkenny, Nalbarte, & Besser, 1999). In other words, organizations engaged with and employing community members establish a reciprocal relationship between organization and community. This mutual reciprocity in a community between members and organizations can strengthen an organization's embeddedness and commitment to a community that embraces a stakeholder logic.

Organizational embeddedness can be conceptualized as the level of engagement with the local community. As a venture becomes more deeply engaged in a conflicted community, its multiple social ties to others will increasingly shape its firm-level templates of action by a shared embrace of stakeholder logics and less adherence to shareholder logics. First, as a venture becomes

more engaged, it has more interlinked social ties that engender increasing mutual obligations that motivate stakeholder acceptance. Indeed, beginning with the ideas of communities as a tightly bound set of mutual obligation and social ties (Gemeinschaft) or of communities as a reflection of the broader society bounded by members pursuing their overlapping interests (Gesellschaft), there is the implication of mutual obligations within local communities (Tönnies, 2012). Although more recent writers have refined these concepts, these community ideas are implicit whenever members are a set of overlapping self-interests, or mutual obligations are expressed through sharing (Granovetter, 1985). Such stakeholder-centered communities are more likely to develop policies that protect their local citizens and focus on building an engaged citizenry and social capital (Putnam, 2000). For instance, ventures that are more embedded in communities where a citizen-centered logic is dominant will resist calls from financial stakeholders to lay-off or relocate employees (Ahmadjian & Robinson, 2001). When local businesses confront business challenges, such communities will often subsidize them with tax benefits or direct payments (Kilkenny et al., 1999). In sum, communities cohere and enact policies supportive of their dominant logic.

Stakeholder-centered ventures valorize stable economic activity and so seek employment growth as a key community glue. It is what makes the survival of the firm relevant to the community. Stable employment is valued on its own merits because of the resulting harm to community cohesion where employment is temporary. Temporary employment discourages community members from planting roots and engaging in civic activities. Indeed, temporary employment is harmful to the endurance of community social networks (Schur, 2003; Von Hippel, Mangum, Greenberger, Heneman, & Skoglind, 1997). Thus, because of a community's beneficial interest in firm employment that both shapes firm objectives and motivate the community to support the firm, stable employment is prioritized. In other words, to firms deeply engaged in a

complex founding environment, employment becomes an important output of the venture to benefit the community and reciprocate for community support. To less engaged firms, market-centered logics impress the neo-economic value that employees are an input to the firms as a substitute for or substituted by capital. Indeed, employment is the primary purpose of the local enterprise and the reason local support is mobilized when the venture is in need.

To illustrate this point, Rindova, Barry, and Ketchen (2009) tell us of an executive whose boss demanded that he lay-off employees in his hometown to boost earnings. While he laid off the workers, he quit to start a new venture employing his recently laid-off neighbors rather than staying on as an executive. This phenomenon is particularly true in Japan, where longstanding values of community primacy place employees' welfare above financial gain (Dore, 2000). Empirical evidence shows how Japanese corporations will shorten work hours and take other steps to maintain employment levels during an economic downturn (Ahmadjian & Robinson, 2001). Overall, because the valorization of employment interpenetrates community logics that shape the benefits of employment, deeply engaged ventures in a community are more likely to take actions that create stable employment.

The mechanism of community engagement transcends organizational fields and industries. The reason is that almost all ventures employ community members that support their economic needs and contribute to the vitality of the location. In turn, employment can foster social cohesion, security, and community engagement (Davis, 2013; Tolbert, Irwin, Lyson, & Nucci, 2002). Employed community members are more civically active and pay a larger share of a community's tax base, thereby improving community resources such as schools and civic activities (Kearns & Forrest, 2000). The managers and employees of a locally embedded venture are likely to know each other socially outside of the organization. Thus, for example, to eliminate the local volunteer

baseball coach's job because her services are redundant may contravene local norms. Thus, it is likely that a stable workforce is a crucial reciprocal benefit that ventures offer to sustain support because community members valorize employment. In sum, because employment is at the core of the reciprocating social ties that cohere a community, employee valorization can provide a key expression of community logics that shape a venture's actions. An annual report statement from a large firm in a small community illustrates, (italics are ours):

> "Ordinarily, it is a matter, of course, to carry out our activities for the purpose is the profit. But at the same time, our company must be a good corporate citizen, so it is also required to carry out social activities. XXX Corporation proactively pursues social activities that do not lead to a direct profit, so we are contributing to the improvement of community public welfare."

In contrast, statements from urban-based firms' express fealty to shareholders, for example:

> "As the specialist of strings, we are proud of the "Total Technology" that is a unique system in the world. Our know-how in each process makes it possible to provide to our clients with unique value-added products are produced in such superior technology for the benefit of shareholders."

Taking these broad points together, communities valorize employment, and that greater local engagement builds the social ties that increase the saliency of stakeholder community values. It follows that ventures would increasingly embrace stakeholder community logics even where the competing shareholder logic is dominant. Thus, we assert that as a venture becomes increasingly embedded in the multiplex local relationships, its strategic orientation shifts to the communitarian stakeholder value of employment growth:

Hypothesis 1a (H1a): *Under conditions of institutional complexity involving competing shareholder and stakeholder logics, new ventures will be more likely to increase employment as their community engagement increases.*

Hypothesis 1b (H1b): *Under conditions of institutional complexity involving competing shareholder and stakeholder logics, new ventures will be less likely to maximize financial performance as their community engagement increases.*

The Influence of Founding CEOs Habitus

Another way community embeddedness is conceptualized as the norms and cognitions that founders imprint on their ventures—what Bourdieu (1977) has referred to as habitus. An important line of research demonstrates that the founder's origins and community embeddedness can profoundly influence the ventures they lead (Beckman & Burton, 2008; Nanda & Sørensen, 2010). As an aspect of engagement, the effect of the origin of a founding CEO is an essential concern of imprinting and community literature (Beckman, 2006). That literature provides us with a good grasp of a founder and founding team's effects as decisive to ventures' behavior. For example, in their follow-up study, Beckman and Burton(2008) showed that founding management leave organizations legacies that shape later actions despite facing different challenges. In the Dahl & Sorensen (2012) study, the importance of a founder's origin is decisive concerning a venture's survival and profitability. The social connections that those native founders can leverage led to both more resources and better opportunities.

As Bourdieu (e.g., 1977) argues, habitus is shaped by exposure, socialization, and experience with different logics. Lounsbury and Glynn (2019) argue that founders draw upon such logics as cultural resources in the construction of legitimate identities in the context of new venture creation. As a result, the community logics that influence a founder will shape their venture's strategic orientation. This is consistent with recent work on social ventures that have shown that

founders adopt their community's values as a standard of the authenticity of their own identity and that of their ventures (O'Neil, Ucbasaran, & York, 2020). For example, a study of the nascent air taxi business found that the founders' self-identities resulted in distinctive product development strategies and resource deployment, thereby imprinting their identity on their ventures (Zuzul & Tripsas, 2020). These studies complement the imprinting literature that founding conditions are a temporal process where founders selectively incorporate historical elements from the institutional environment as they build their organizations (Johnson, 2007; Schneiberg, 2007). Overall, the elements that are part of the cultural toolkit that a founder uses to construct her venture identity further shows how the founding CEO is a significant force influencing firm actions and behaviors.

In sum, the habitus of the founder of a new venture is an aspect of community embeddedness likely to modify a venture's strategic orientation. The implication is that the founder's habitus may be imbued in either shareholder-centered or stakeholder centered logics that will be reinforcing, or even decisive, influence on the venture prioritization of those logics. Dahl and Sorenson (2012) noted that a founder who is born in an area is better able to leverage the local networks than someone who is not native because they know the rules. A founder raised in any location is likely to embrace the dominant logic. In our urban setting, the dominant logic is a shareholder centered logic. In non-urban areas, stakeholder logics are more prevalent. Non-urban locations, for example, have smaller populations and fewer choices. Thus, as geographic communities become small, the employment choices shrink (Freeman & Audia, 2011). Moreover, the social ties in non-urban regions are of higher intensity and more likely to reflect common community objectives (Beggs, Haines, & Hurlbert, 1996; Lichter & Brown, 2011). Non-urban prefectures have family clan, food, and community financial support social systems that date to earlier periods (Rindfuss, Bumpass,

Choe, & Tsuya, 2004; Samuels, 2014). Thus, a founder is likely to bring the dominant logic of their origin to structure the venture and use the legitimizing narratives consistent with that logic:

> Hypothesis 2a (H2a) *Under conditions of institutional complexity involving competing shareholder and stakeholder logics, new ventures will be less likely to employ more if they have a founding CEO socialized to embrace the shareholder logic, even as their community engagement increases.*
>
> Hypothesis 2b (H2b) *Under conditions of institutional complexity involving competing shareholder and stakeholder logics, new ventures will be more likely to maximize financial performance if they have a founding CEO socialized to embrace the shareholder logic, even as their community engagement increases.*

DATA AND DESIGN

Empirically, we examine new venture strategic orientation sources by examining how they are shaped by their embrace of one of two competing community logics – stakeholder versus shareholder. We argue that these orientations will shape the venture's prioritization of performance objectives—job growth versus financial growth. As discussed above, large cities in Japan provide an ideal context for observing the effects of a complex and conflicted community on entrepreneurial outcomes. Geographically, Japan was split into 47 prefectures in 1888, and regional identities remain strong today (Samuels 2014). However, as discussed above, the large urban environments - mainly Tokyo and Osaka - in Japan have been overlain with a dominating shareholder logic after the Pacific war and reinforced by the globalization of advanced economies. To examine these competing logics and their effect on strategic orientations, we will employ endogenous regression models using a matched sample. First, we describe our data and how we construct our variables, then detail how we specify the models and ensure robustness.

Venture sample

Japan has over 5.5 million firms: 0.2% are large firms, 26% are incorporated SMEs, and 74% are microbusinesses (unincorporated, sole proprietorships). Forty thousand incorporated, independent,

and operating firms are started annually (Japan, 2006). Small firms generate half of GDP, which includes affiliated suppliers (kankei-gaisha), other SMEs, and micro-firms which are crucial to the Japanese economy and employ 70% of workers (99.7% employ fewer than 100 people with an average of 9.4 employees)[1] (Japan, 2011). For the present study, we are interested in incorporated ventures, as these have substantial statutory initial capitalization requirements[2] (unlike the U.S. and Europe) and therefore represent serious entrepreneurs with growth intentions.

Our initial sample of 25,908 newly incorporated ventures were founded between 1998 and 2007. Of these, 11,537 (44.53%) are based in Tokyo. This period begins after an era of the so-called 'big bang' reforms of 1997 and ends with the financial crisis of 2008 (Vogel, 2006). The data are drawn from Teikoku Databank (TDB), which has several desirable qualities. As Dun & Bradstreet in the U.S., TDB is the leading business data collection and rating agency in Japan. TDB collects information on the millions of firms that have applied for credit, such as their annual financials, initial capitalization, founder/leader demographics, and any bankruptcies. We have supplemented the nationwide TDB data with prefecture-level information on GDP and population density from the Statistics Bureau of Japan, a government agency. Our initial sample includes 2,738 firms that filed for bankruptcy by the end of 2007 and excludes so-called 'zombie' firms (Goto & Wilbur, 2019) that have no revenues in consecutive years. Our sample's proportion of bankrupt firms is consistent with other studies that find annual failure rates of 4-6% for

[1] For comparison, 97% of U.S. firms employ fewer than 100 people, and on average employ 17.6 people. In Japan, 44% work in firms (not just startups) of 5-100 employees, and 26% work for microenterprises of 5 people or less. Regardless of firm size, 46% of the labor force are employed in the service sector (as compared to 56% in the U.S.). Data are from the Economic Census for Business Activity (Japanese Statistics Bureau) and the Statistics of U.S. Businesses (U.S. Census Bureau).

incorporated SMEs (ACCJ, 2010). We use a matching algorithm to construct our sample (described later), leaving a trimmed sample of 23,099 ventures for our analyses.

=== INSERT TABLE 1 HERE ===

Dependent Variables

Employment: We measure employment as ***a employment growth rate,*** calculated as the logged rate of growth in the headcount (including the founder) over the firm's age at the end of data collection or bankruptcy. The average headcount in our sample is 9.9, consistent with the national average of 9.4 employees (Statistics, 2018). This suggests that our sample is representative of the larger population and that our cohort is a slice from a stationary process.

Financial performance: We measure financial performance as the ***compound annual growth rate (CAGR)*** measured from inception to the data collection period or, in the case of bankruptcy, the last year of operations. Since *CAGR* is right-skewed, we apply a log transformation to normalize its distribution. The *CAGR* variable allows us to measure performance relative to the rest of the venture sample.

Independent Variables

Multiplex Engagement: To operationalize multiplex engagement, we draw on the concept of 'relational pluralism' to consider how an entity (here, a venture) can have multiple ways of engaging with another entity (the geographic community) through relationships that are heterogeneous, multiplex, and overlapping (Beckman, Schoonhoven, Rottner, & Kim, 2014) (Shipilov, Gulati, Kilduff, Li, & Tsai, 2014). In our setting, there are at least four ways ventures are commonly connected to their community; thus we measure *multiplex engagement* as a count (0–4) of whether a venture is: (1) banking locally, (2) using local suppliers, (3) having local

customers, and/or (4) operating in a locally dependent (non-export) industry. We explain each of these below.

The *local bank* is a dummy variable for whether the firm uses financial resources focused on the local community. We empirically leverage Japan's stratified banking system (Uchida, Udell, & Watanabe, 2008), which includes community banks (*shinkin*, focused on SMEs), as well as regional banks (headquartered and focused on regional needs) and national banks (broad service banks, headquartered in Tokyo and Osaka). We measure whether a venture has a relationship with one of Japan's 300 community banks, as these banks are chartered to encourage investment in the local economy by small firms. These banks are essentially cooperatives—lending only to community members—and help SMEs by providing start-up support and local-area revitalization. Community banks are more geographically segmented than the regional banks and are particularly important in rural areas (Kano & Tsutsui, 2003). In general, banking relationships can provide greater access to local and/or financial resources (Freeman and Audia, 2011). The TDB dataset includes the primary banking relationships of each firm (range is 1–10 banks: 59% of firms have two banks; fewer than 9% have more than four banks).

Another component of *multiplex engagement* is whether a venture has *local customers* and/or *local suppliers*. These dummy variables indicate whether a firm's leading suppliers or customers are in the same municipality as the venture. Municipalities represent the local level of government, and there are 1719 municipalities spread across Japan's 47 prefectures. The TDB data includes the top five suppliers and the top five customers. We obtained the addresses of those partners and, based on having the same municipal code, determine whether the venture has no local suppliers or customers (coded as 0), either a local customer or supplier (coded as 1) or both (coded as 2). Regardless of the region (incl. Tokyo), the range of engagement is consistent:

28-32% of ventures have both a local bank and supplier/customer, 36-37% have a local bank, 50-54% have a local supplier/customer, and 5-6% have none of these.

The last component of *multiplex engagement* is whether a venture is operating in a *local industry*, a dummy variable for whether the industry is focused on exports to other regions or focused more locally. To determine how 'local' an industry is, we draw on the concept of 'location quotients' (Fracasso & Vittucci Marzetti, 2018; Miller, Gibson, & Wright, 1991) an economic measure of the export-orientation of an industry that considers how concentrated an industry is in an area compared to its concentration nationwide. For example, automobile manufacturing has a high industry quotient, and much of the production is consumed outside the region, whereas automobile repair services have a lower industry quotient and are consumed locally. Following Otsuka (2008), we categorize trade and service industries in Japan as having a low industry quotient and therefore *local*, and treat export-oriented industries as *non-local* Location quotients generally reflect labor specialization; however, to ensure that our measure does not merely reflect local consumption, we note that the correlations between a local customer and local supplier are low with local industry ($r<0.12$).

Urban-born founder: Ventures that engage with their community do so through people, and in particular, the founder. We expect that their birthplace will shape a founder's sense of social norms and appropriate business behavior. We measure *urban-born founder* as a dummy variable for whether the founder is born in a non-urban or urban prefecture. We follow the urban/non-urban categorization established by development agencies (OECD 2016).[3] In Japan, there are 12

[3] Japanese firms typically operate in the prefecture of incorporation. Prefectures have little autonomy to create tax incentives, as rates are controlled by a strong central government that further promotes tax equalization policies (Gichiru et al. 2009)). This results in a rather flat, equal tax rate nationwide. Thus, there is no Japanese equivalent to the U.S. phenomenon whereby thousands of "Delaware Corporations" exist that are not located in Delaware, or special economic zones that attract firms as common in China and Europe. While there are incentives for foreign direct investment in Japan, we omit foreign-owned firms from our sample.

predominantly urban prefectures, including the Tokyo metropolitan area, while the remaining prefectures are intermediate or predominantly rural (22 and 13, respectively).[4]

Of Japan's 126 million inhabitants, 57% live in predominantly urban areas including 30% who live in the Tokyo metropolitan area (Statistical Abstract of Japan 2018) As one of the largest cities in the world, Tokyo is headquarters to not only Japan's most significant companies but is the hub of commerce and banking for many firms worldwide. As we described earlier, this infusion of Western norms in Tokyo is a relatively recent phenomenon. During its long isolation, Tokyo also developed uniquely Japanese business norms and cognitions under the *bafuku* government. Thus, we expect an urban-born founder to have different (and possibly conflicting) expectations from those of a non-urban-born founder.

We use this urban-born founder dummy variable in two ways. First, as an explanandum of performance, and second as the basis of endogeneity. We anticipate that firm performance is jointly determined by the founder's decision to locate in that community because of its desirability and the founder's mobility. We employ endogenous regression models to address this simultaneity issue and elaborate on this in the empirical strategy section.

Controls

Founder controls: Because we emphasize the imprinting of strategic orientations based on the institutional conditions of the firm and the norms of the founder, we include controls at multiple levels. At the founder level, we include the person's ***age*** at time of founding (calculated in days and mean-centered for accuracy).[5] Because an individual's mobility might peak after college and

[4] These distinctions among prefectures are based on 2016 population density (low, average, high), which are equivalent to the categories (rural, intermediate/urban, Tokyo-Metro) used by the Organization for Economic Co-Operation and Development (OECD, 2016).

[5] Age is not always calculated the same in Japan as it is in western countries. Historically, age was based on the *kazoedoshi* (数え年) scheme, in which babies are considered 1-year-old birth and turn 2-years-old at their first New Year. This practice although rare persists in rural areas and among those born before 1950 (when it was replaced

before middle-age (Lewicka 2011), we include an ***age-squared*** term. We include ***gender*** (1=female, 0=male); although women comprise fewer than 7% of founders,[6] their participation in entrepreneurship might reflect distinct dynamics due to their limited employment opportunities (Patrick, Stephens, and Weinstein 2016).

Firm level controls: At the firm level, we include the ***C-Corp form*** measured as a dummy for stock corporations, which have the most stringent paid-in capital requirements of at least ¥1M, indicating high growth intentions. We code as 0 the other two types: partnerships (<¥300K paid-in capital) and limited liability (¥300K-1M). We also include a dummy for whether the firm is ***public*** (10% of sample; regional range is 6–12%). Less than half of public firms are also C–Corporations; collinearity tests (VIF<1.10; r=0.20) reveal no concern with including both controls. Bankrupt firms often have unique founding conditions and trajectories (Eberhart, Eesley, & Eisenhardt, 2017; Lee, Yamakawa, Peng, & Barney, 2011). We measure ***bankruptcy*** by whether the firm files for bankruptcy as recorded in the TDB database.

In addition, we include a dummy for the ***year of data collection***, to capture any time trends due to when the data were collected. 90.6% of firms were measured in 2008 or 2009, but bankrupt firms were measured at time of bankruptcy. The correlation of bankruptcy and year of data collection is -0.76. However, multicollinearity tests suggest that we can safely include both in our models however these tests were only available as OLS (non-endogenous) regressions, so we interpret them with some caution: the mean VIF of all models never exceeds 7.5, and never exceeds 2.2 in models without interactions.

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with the *man nenrei* (満年齢) scheme. We circumvent this issue by using the calendar dates (month day year) of the founder's birth and of the firm's inception.

[6] This small sample is consistent with the status of women in Japan. Although they have equitable access to education and healthcare, Japanese women have limited economic and political participation, ranking 143rd and 113th (out of 177 nations) respectively (based on 2016 United Nations data at http://hdr.undp.org/en/content/gender-inequality-index-gii).

Empirical Strategy

Identification strategy overview: To examine the effects of multiplex engagement of a firm on its strategic orientation—specifically on employment growth (H1a&b) and revenue growth (H2a&b)—we will employ ordinary least squares supplemented by endogenous regression models using a matched sample. This allow us to address two key issues. The first is that ventures in urbans settings might differ considerably from ventures in other places in terms of their legitimacy, capital needs, and other factors that may affect the levels of employment and growth. For example, non-urban ventures might face lessened liabilities of newness because their founders are familiar in their local community and thus come under less pressure to establish their acceptance (Deephouse, Bundy, Tost, & Suchman, 2017). For another example, ventures in urban locations may not require as deep social network assistance where considerable external support may be available. If such conditions apply, our analyses would be biased by selection into either the urban or rural setting. Indeed, if ventures find easier access to resources and attenuated legitimacy concerns in some places and not others, location alone might explain an observed association between the location setting and employment growth or financial growth. It is necessary to account for such correlation to obtain causal effects (Morgan & Winship, 2014).[7] Our approach is to minimize such concerns with Coarsened Exact Matching on observable dimensions that are likely to explain differences between urban and other firms. By doing this, we minimize bias in that if ventures are matched on observables, then unobservables are more likely to be randomly distributed across groups. Thus, CEM helps us more closely approximate a randomized selection into treatment and control conditions as would be the case in a conventional experimental approach (Blackwell, Iacus, King,

[7] Causal methods commonly assume treatment assignment is exogenous (i.e., selecting on observables), including panel data models (with random or fixed effects), propensity score matching/weighted regressions, and differences-in-differences. Methods that account for endogeneity include instrumental variable approaches, and discontinuity designs (each of which depend on identifying an exogenous instrument for treatment assignment).

& Porro, 2010).

The second issue is that founders do not randomly select the community in which they start their firm, which is a confounding concern (LaLonde, 1986). Such endogeneity is a serious yet often neglected issue in social science research (Hamilton & Nickerson, 2003). Because we hypothesize that community engagement affects the performance outcome, we must account for unobservable factors that may also be driving the founder to choose that community. While the standard approach is to pretreat the sample by matching as we do above, there remain the possibility that factors driving a founder's endogenous selection of location are in the unobserved broader social environment.[8] Therefore, after constructing a matched sample (described earlier), we will use an estimation approach that is relatively new in the literature—endogenous regression models (ERMs), which use a maximum likelihood approach—to address the possibility of unobserved covariates in our treatment and outcome models (Wooldridge, 2010).

CEM Matching: To isolate the effects of community on our outcomes of interest, we match similar firms—born at the same time and in the same industry—that only differ in having an urban-born founder or not. We construct our balanced sample with coarsened exact matching (CEM) (Blackwell, Iacus, King, & Porro, 2010). The use of CEM is well established in the literature (e.g., Oettl, 2012; Younkin & Kuppuswamy, 2018). In contrast to propensity scores—which are more vulnerable to researcher error (King & Nielsen, 2016) - CEM removes the need for balance checking (and the tweaking this entails), and it is more forgiving of misspecification (Iacus, King, & Porro, 2012).

We pretreat the sample by using CEM to match on covariates to construct a control and

[8] Matching methods include propensity scores, Mahalanobis distance, among others Stuart, E. A. 2010. Matching methods for causal inference: A review and a look forward. ***Statistical science: a review journal of the Institute of Mathematical Statistics***, 25(1): 1. We use coarsened exact matching for the reasons we describe in the section on matching.

'treated' group that are otherwise similar except for having an urban-born founder. The matching process improves the balance between the treated and untreated samples' distribution of covariates: before matching, the multivariate L1 distance is 0.38, and after matching, it is 0.16.

We will add this matching weight to our estimation models. We construct the matching-weight from two key variables—exogenous and present at founding—that impact venture performance: industry and cohort period (Geroski, Mata, & Portugal, 2010). We measure industry by using the TDB Industrial Classification Code (equivalent to a primary SIC code) across seven categories (matched precisely), at the 2-digit SIC code (matched exactly) and at the 3-digit level (matched coarsely). This redundancy is intended to avoid mismatches because of differences in the Japanese and U.S. industry coding schemes. We measure cohort (matched coarsely) as the day, month, and year of incorporation.[9]

As a result of these steps, our sample of firms match on industry and cohort but differ as to whether the founder is born in a non-urban or urban area. This allows us to control industry and cohort effects if we obtain significant effects when comparing urban-born founders with the baseline of non-urban-born founders. The final sample includes 23099 firms, after trimming 850 firms that are unmatched and another 2,809 firms in the 5th and 95th percentile tails of the weighting distribution. This is done to eliminate extreme weights due to any misspecification of the matching model (Lee, Lessler, & Stuart, 2011). We found no substantive difference in the descriptives (means, etc.) between the matched, trimmed sample (shown in Table 1) and the initial,

[9] Japanese firms typically operate in the prefecture of incorporation. Prefectures have little autonomy to create tax incentives, as rates are controlled by a strong central government that further promotes tax equalization policies Gichiru, W., Hassemer, J., Maxim, C., Phetchareun, R., & Won, D. A. 2009. Sub-central tax competition in Canada, the United States, Japan, and South Korea. LaFolette, WI: Organisation for Economic Co-operation and Development (OECD).).This results in a rather flat, equal tax rate nationwide. Thus, there is no Japanese equivalent to the U.S. phenomenon whereby thousands of "Delaware Corporations" exist that are not located in Delaware, or special economic zones that attract firms as common in China and Europe. While there are incentives for foreign direct investment in Japan, we omit foreign-owned firms from our sample.

full sample except for a slight decrease in standard deviations as might be expected.

Endogenous regression models (ERM): Our empirical approach involves controlling for exogenous factors to the firm and present at founding (Wooldridge, 2010; 2014). We hypothesize that having an urban-born founder will affect performance. However, exogenous factors such as the local economy's health may both affect where a founder chooses to locate and their firm's performance. Thus, we include an auxiliary equation for the endogenous urban-born founder variable. We include an exogenous variable, GDP of the prefecture at founding whose residuals serve to 'control' for the endogeneity - effectively making urban-born founder exogenous in the main model (Japan Bureau of Statistics, 2018; Wooldridge, 2015). The auxiliary equation also includes all of the other variables from the main model to address the issue of reverse causation, at least in linear models (StataCorp, 2017: 16).

ERMs use a control function to address endogeneity, which is more efficient and robust than typical instrumental variables approaches (Athey & Imbens, 2006; Heckman, 1978; Vella & Verbeek, 1999). For example, where most instrumental variable approaches rely on two-stage estimation (2SLS) and are prone to identification failure, ERMs account for endogeneity by including the residual of the first stage in the second stage. ERMs are also a better choice for nonlinear models or when an instrumental variable is weak (Blundell, Kristensen, & Matzkin, 2013; Wooldridge, 2010). We use **eregress**, introduced in Stata 15 (StataCorp., 2017).

Regression checks: To verify the usefulness of endogenous models, we first ran each hypothesis using plain regressions. As expected, such specifications fail the link and Ramsey's tests. Residuals were not normal (Shapiro-Wilk test), confirming the CEM weights' need, which partly reduces the problem. Heteroskedascity is present (Breusch-Pagan test), so we will use robust standard errors (Solon, Haider, & Wooldridge, 2015). We then ran instrumental regressions, which

confirmed endogeneity and the strength of our instrument (Montiel-Pflueger test). However, this is not essential as ERMs do not depend on having robust instruments (Wooldridge, 2015).

Model specification. We model employment growth with employment growth rate performance (CAGR, and by conditioning the founder's age, age-squared, gender and on the firm's public registration, and C-Corp capitalization type bankruptcy status, and year of data collection. We linearly regress on CAGR and employment growth rate, which is log-transformed. We model each outcome (H1a, H1b, H2a, H2b) as a function of our two measures of local multiplex relationships (having an urban-born founder, and the count of multiplex engagement types), plus the dependent variables of the other two hypotheses. For example, we estimate effects on financial performance (H2) by including employment growth rate (H1) as controls.

RESULTS

Univariate results provide preliminary and supportive insights. Variable means, standard variations, and the correlation between variables are given in Table 1. Table 1 also includes the matrix of correlations between important variables and generally indicates low correlations. We find a partial correlation between our dependent variables of CAGR and employment growth rate (0.56). We expect some correlation as a firm grows because, generally, employment will increase. However, our idea is not that the effect should be independent or reversed, but that employment growth is more prioritized in locally engaged firms.

Indeed, including the variables for each of the hypotheses may raise concerns about collinearity, but we have three reasons for doing so. First, these variables are logically related in the real world. Second, sales are unlikely without employees, and employees are unlikely without sales. Third, both venture growth measures are commonly used in research (Gilbert, McDougall, & Audretsch, 2006). In our sample, employment growth rate and CAGR are highly correlated but

weakly with bankruptcy (0.14 and 0.15, respectively). Second, multicollinearity tests are low (all variance inflation factors <2). Third, having symmetric models allows us to compare better side-by-side to make inferences.

INSERT TABLE 1 about here

Next, we turn to our multivariate results that indicate robust support for our hypotheses. Our first hypothesis argued that new ventures would be more likely to increase employment as their multiplex community engagement increases (H1a). Model 1 in Table 2 reports OLS results. Recall that each multiplex level, βx, represents an inclement engagement of any kind: community bank, local supplier, etc. Our results show that step-by-step increasing levels of community engagement monotonically increases the employment growth rate of ventures irrespective of location (β1=0.142, β2=0.254, β3=0.303 and β4=0.358, p<.001).

What these results show is that any kind of identified community engagement is associated with employment gains. Next, we reinforce these findings with our endogenous regression model. In model 3 of table 2, our endogenous regression approach confirms our OLS results (β=0.14 to 0.36, p<0.001). We next argue that increasing community engagement decreases financial growth because employment prioritization can result in employment preserving actions more in engaged firms. This is reflected in our hypothesis of financial performance (H1b). Our OLS results reported in model 1 in table 3 shows that stepwise increasing of community engagement monotonically decreases the probability of CAGR (β1= -0.131, β2= -0.190, β3= -0.228 and β4= -0.315, p<.001). Moreover, again, our endogenous regression model is consistent with our OLS result (β=-0.13 to -0.31), lending robust support. As we mentioned earlier, ERMs are recommended in the case of nonlinear models or weak instrumental variables (Blundell, Kristensen, & Matzkin, 2013; Wooldridge, 2010)

Insert Tables 2 and 3 about here

In H2a, we proposed that in urban areas with an urban-born founder, community engagement's positive effect on employment growth rates would be reversed. For this, we turn to the interaction effects of multiplex engagement and a founder's origin in our ERM model (tables 4 and 5). First, in Model 2 of Table 4, we report that an urban-born founder decreases overall employment growth rates in an urban firm (β= -0.154, $p<0.001$). This suggests the important influence of a founder on the strategic choice if a firm (H2a). Indeed, the result of a stepwise increase of multiplex engagement demonstrates that as an urban-born founder becomes more deeply engaged in the local urban community, the rate of employment growth reverses from monotonically increasing to nearly monotonically decreasing ($\beta1$= -0.158, $\beta2$= -0.205, $\beta3$= -0.203 and $\beta4$= -0.302, $p<.001$). Likewise, in H2b, we proposed that in urban areas with an urban-born founder, community engagement's negative effect on financial growth would be reversed. In Model 2 of Table 5, we see that having either an urban firm or an urban-born founder increases overall CAGR (β=0.21 and 0.30 respectively) and having both an urban firm and an urban-born founder doubles the increase (β=0.56). When we limit the analyses to only urban firms, (H2b), as in Model 3 of Table 5, we find that as an urban-born founder becomes more deeply engaged in the local urban community, CAGR increases, however not monotonically ($\beta1$=0.152, $\beta2$=0.144, $\beta3$=0.197, and $\beta4$=0.234, $p<.001$). Thus, both H2a and H2b are supported. Moreover, the non-monotonic interactive effect suggests a tension amongst strategic objectives not present unless there is an urban founder. We explore this below.

Insert Tables 4 and 5 about here

Robustness checks

For the main specifications of our first two hypotheses (H1a and H1b), we ran OLS (non-endogenous) models (Model 1 of Tables 2 and 3). However, because choosing where to locate a firm is likely endogenous, we checked whether this concern was warranted. In tables 2–5, we report an 'endogenous selection model' coefficient to indicate a valid control function for addressing the founder's endogenous choice to found a firm in an urban area. A significant 'endogeneity tests' coefficient indicates we cannot reject the null hypothesis that there is no endogeneity between the main and endogenous selection models that arise from correlations between the outcome and error, or the outcome and endogenous variable. We further checked that our matching method is not driving our results by using an unmatched sample to obtain similar results (Lee et al., 2011a). Finally, we checked the validity of our multiplex 'engagement' variable that we operationalized as a count. To do this, we decomposed it into its components and did not find that any one type (e.g., local bank, local customer) drove the results that were unchanged.

DISCUSSION

In this study, we argue that a new venture's engagement in a community provides a key mechanism that moderates its strategic orientation. In doing this, we propose new notions of how a community's institutional environment shapes new ventures' outcomes. Japan's urban environments – such as Tokyo - offer a uniquely conflicted institutional situation as Japan's capital region, the birthplace of community capitalism - with a strong Samurai legacy where the community's interest and welfare took precedence over what was later called shareholder capitalism. The aftermath of opening Japan to the West in the 19th century and post-war occupation by Western powers brought the ideas and norms of shareholder capitalism to Japan as neoliberalism's ideological tide increasingly shaped corporate laws and markets. Particularly in

Tokyo, after a financial crisis in 1990, legislative reforms were enacted. At the same time, U.S. investors actively influenced Japanese firms to encourage the adoption of shareholder logics that are a part-and-parcel of neo-liberal economic prescriptions. The result is a unique institutional environment of traditional stakeholder values dominated by shareholder values - acutely in Tokyo, Japan's legislative and economic center.

Contributions to Complexity in Community Logics

For our first contribution, we consider complex community environments to challenge the notion that a dominant institutional logic will be the primary influence on a venture's behavior. Instead, we show that unless "overridden" by a founder imbued in shareholder logics, increasing community engagement permits community-based stakeholder logics to penetrate and override a dominant shareholder logic. We thus contribute a conception of a dominant logic as permeable and dependent on idiosyncratic circumstances of a venture. We also add the view that employees reflect these logics and contrasting objectives because they can be considered either *inputs* to the venture in the shareholder view, or *outputs* of the venture in the stakeholder view. Moreover, because community engagement depends on factors s such as using a local bank or having local customers does depend on the industry, the effects are transcendent across fields as reflected in our results. In sum, by proposing these notions supported by a conflicted institutional setting where a dominant Western shareholder logic overlays a traditional community logic, we explain how the strategic orientations of new ventures shaped by their community alter venture outcomes.

Given the attention that complexity in the institutional environment has received, it is surprising that little ground has been gained understanding how venture outcomes are affected where ventures face multiple imprinting pressures at their founding. We add to these promising

calls for studies of complex and often conflicting institutional logics in local communities by offering a plural conceptualization of community embeddedness that spans multiplex community engagement and the founder's habitus. By doing this, we show that the dominant logic of a community is permeable and even fragile. That is, increasing levels of community engagement can overcome a dominant logic by stakeholder community interests. In this view, the dominant community logic in a location is not dispositive but depends on the venture's social ties and its founder. By doing this, we illuminate the growing sense that community logics are not unitary and coherent, but pluralistic, complex, and competing. Earlier literature suggests that replacing a dominant logic arises from a shift of underlying social forces (Ioannou & Serafeim, 2015; Thornton, 2002). More recent work describes how hybrid firms adapt to institutional complexity by observing outcomes through different logics lenses and then arriving at a synthesis of conflicting pressures (Jay, 2013). We add to this by arguing instead that a competing logic in a complex setting is ever-present in the background, ready to emerge when an organization's attributes tie it to a common and transcendent community logic. Second, we explain that this effect contributes to the heterogeneous venture outcomes resulting from the relative embrace of community logics depending on a new venture's depth of engagement with their community.

We explain these results by noting that employment valorization increases as an organization is more deeply engaged with its community. By adopting stakeholder logics that emphasize employment, ventures are more likely to be offered community support that includes information and opportunities through community members such as former college professors and classmates (De Clercq, Lim, & Oh, 2013; Florin, Lubatkin, & Schulze, 2003). This has a historical precedent where cooperative credit and savings associations emerged in the 1800s in different national contexts (Haveman & Rao, 1997; Najita, 2009). In these financing schemes, a

person's access to emergency capital to tide a venture over during turbulent times was determined by being a trusted member of a community, mainly if the venture employed members of the community. Outsiders would be rarely invited to participate, and if they were, it was on a limited basis. Also, community support includes information and opportunities through community members such as former college professors and classmates. Other community support such as finance and low-cost labor from friends and family, tax benefits, and subsidies often are granted from the local government support the stability of a local venture. In this way, stakeholder centered ventures can count on and have access to local support that facilitates employment in tough economic times. This reciprocal nature of communities and organizations is a latent theme in classic organizational theory that focuses on occupational work and community ties (Burawoy, 1979; Selznick, 1949; Trist & Bamforth, 1951).

From a theoretical perspective, given a shareholder logic view, employees are inputs that can be adjusted and substituted to the requirements of market and technology (as with any input, such as machinery). However, the managers and employees of a locally engaged venture are likely to have multiplex ties to the community as colleagues, neighbors, and citizens. Thus, employment becomes a mutual obligation via these community social connections. As these mutual obligations grow, a venture's local community may come to view the venture's primary purpose to be an engine of employment rather than financial returns to investors. In other words, employment becomes an output – the purpose - of a local venture and a stakeholder community logic. This idea is well anticipated in work that shows how ventures take the valorizations from their community to shape their prioritization of actions (Lee & Lounsbury, 2015; Marquis, Davis, & Glynn, 2013). So, by sharing employment as the venture's primary strategic orientation, governments and citizens may mobilize to provide assistance and social support to a struggling

venture, thus facilitating further employment growth (Kalleberg, 2009). In sum, we offer a new mechanism of community effects based on community member valorization that illuminates the role that community engagement plays in shifting venture objectives toward employment and away from financial growth.

Contributions to Community Resource Networks

For our second major contribution, we challenge the resource-acquisition centric networks view of venture performance. Instead of the view that increasing community embeddedness assists a venture up to an optimum, we find that the strategic objectives of financial growth come to be replaced by stakeholder objectives of employment growth as community engagement increases. Early work in social network theory conventionally conceptualizes a community as a locus of resources that become limited when a venture's embeddedness exceeds an optimum (Laursen, Masciarelli, & Prencipe, 2012; Uzzi, 1997).

However, research in institutional analysis places less emphasis on resource availability to focus instead on the norms, cognitions, and rules that shape the venture's actions and outcomes (Marquis & Battilana, 2009; Marquis, Lounsbury, & Greenwood, 2011). Besides, the community as a locus of resources view often does not explicitly account for the emerging view that geographic location is less relevant as resources become mobile and technical entrepreneurship norms have homogenized (Haveman & Rider, 2014). Likewise, there are competing explanations for why networks lose effectiveness when embeddedness increases, such as organizational myopia or contravening local norms that oppose growth (Levinthal & March, 1993).

To address these issues more adequately, our approach instead decouples resources from social constraints to offer an explanation that transcends place and resource loci. Thus, we offer a viable alternative view to prior network literature. The insight derived from our observed

'switch' in these urban environments from shareholder to stakeholder logic as community engagement increases shows that that the prioritization of strategic growth objectives depends on the level of engagement with a community, not on access to resources.

The Role of the Founder Imprints and Community Logics

Another contribution of our view is to augment the idea of a founder's imprinting on a venture to show that her influence depends on her habitus and alignment with the venture's engagement with the community. We show that when unaligned, a founder's influence is decisive. We thus contribute a link between the imprinting literature on the influence of founders confer on their ventures, and the community logics that those ventures embrace. The founder's influence has been an essential concern in the imprinting literature that provides us with a good grasp of the effects of a founder and founding team on the behavior of ventures (Beckman, 2006; Beckman & Burton, 2008; Dahl & Sorenson, 2012). These studies are influential in entrepreneurship research because organizational imprinting occurs at its founding – a particularly sensitive time in an organization's life (Carroll & Hannan, 2004). For example, Dahl & Sorensen (2012) studied the importance of a founder's origin to find it was decisive with respect to venture survival and profitability because the social connections that those native founders can leverage led to more resources and better opportunities. Nevertheless, imprinting and community influence effects on new ventures have not frequently informed each other.

In this way, we add to our earlier argument that reveals the permeability of a dominant shareholder community logic by stakeholder community logics that are ever-present in any local community. In sum, we thus contribute an idea that the competing organizational objectives of financial growth versus employment growth are linked to conventional kinds of community

logics—the prototypical market practices that valorize shareholder well-being, and the other that emphasizes the well-being of a wide array of citizens in a community.

Contributions to Entrepreneurship Strategy

We explain the cultural forces leading to a venture's prioritization of competing strategic orientations – financial growth versus employment growth. We demonstrate – although acknowledging that each depends on the other to some extent - that the kind of growth emphasized – financial or employment - depends on the engagement of the venture in a community logic and the habitus of the founder. Performance is arguably one the most ubiquitous yet one of the most scrutinized measures in management research (Sørensen and Chang, 2006; Miller, Washburn, and Glick, 2013).

New venture performance is even more scrutinized because many of the conventional performance measures obtainable from more established ventures, such as stock market returns or returns on assets, are not obtainable for new ventures. However, prior literature has commonly used performance measures without enough theoretical grounding for the measure employed (Gilbert, McDougall, & Audretsch, 2006). Previous work has seldom considered whether social objectives are substituted for growth by locally engaged ventures. This is because research on economic and social relationships have considered them independently, whether in isolation or combination, but rarely have studies considered their relationship. Our contribution is that growth and survival cannot be viewed as complementary or interchangeable. Instead, the appropriate measure depends on the community and level of venture embeddedness.

Prior studies at the intersection of institutions and entrepreneurship direct attention to the founding, growth, and survival of new ventures (Eesley, 2016; Hiatt & Sine, 2014; Thébaud, 2015). Given the importance of these studies, the tension that arises between the key dependent

variables of growth – that follows from shareholder logics and stability- that follows from stakeholder logics comes into focus10. On the one hand, prior work in related fields on the growth of ventures often view financial growth and stability (survival) as complements; that is, one variable implies the other (Cooper, Gimeno- Gascon, & Woo, 1991; Gimeno, Folta, Cooper, & Woo, 1997; Hiatt et al., 2018; Jack & Anderson, 2002). As a result, empirical work in this direction often treats these as complementary or reinforcing dependent variables (Audretsch, 1995; Dahl & Sorenson, 2012). On the other hand, research on technology entrepreneurship has come to see stability and growth not as complements but as tradeoffs. For instance, Arora and Nandkumar (2011) argue that entrepreneurs and investors with significant alternative opportunities are more likely to adopt risky strategies that have a high potential for growth and failure. The implication is that growth and stability are not complementary, but instead are distinct and endogenous venture choices (Sapienza, Autio, George, & Zahra, 2006).

Studies that acknowledge this tradeoff suggests that a venture's choice of strategic orientation depends on the embeddedness of a venture in its local community (Jennings et al., 2013; Wennberg et al., 2016; Wiklund et al., 2009). In particular, studies of the cultural influences indicate that stakeholders that are shaped by financial logics may favor growth at the expense of survival. In contrast, community stakeholders may hold an opposite view to favor stability while preserving jobs (Almandoz, 2014; Kilkenny et al., 1999; Lounsbury, 2007). These cultural influence studies shift attention to the influence of the geographic community on venture priorities and outcomes (Freeman & Audia, 2011; McKeever, Anderson, & Jack, 2014; Uzzi, 1996). Early work in this stream conventionally conceptualizes a community as a locus of resources that become limited when a venture's embeddedness exceeds an optimum (Laursen et al., 2012; Uzzi, 1997). However, research in institutions places less emphasis on resource availability to focus

instead on the norms, cognitions, and rules that shape the venture's actions and outcomes (Marquis & Battilana, 2009; Marquis et al., 2011). Besides, the community as a locus of resources view often does not explicitly account for the emerging view that geographic location is less relevant as resources become more mobile and technical entrepreneurship norms have homogenized (Haveman & Rider, 2014).

Likewise, there are competing explanations for why networks lose effectiveness when embeddedness increases, such as organizational myopia or contravening local norms that oppose growth (Levinthal & March, 1993; Uzzi, 1997). Instead, our approach decouples resources from social constraints to offer an explanation that transcends a place and its resources. We contrast with these earlier views that as social ties deepen within a local community, a venture becomes increasingly constrained by social norms that restrict its available strategic choices that limit its growth (Andersson, Forsgren, & Holm, 2002; Uzzi, 1996). What our results suggest instead, is that local founders and alliances emphasize growth - consistent with other studies on embeddedness - but that scholars should also take the community into account. Because being deeply embedded in a local industry can reorient the venture to seek employment stability at the expense of financial growth. In other words, growth may be attenuated but not because resources and opportunities are limited, but instead because the managers embrace the stakeholder logic of stability and employment over financial growth.

The implication is that the standard dependent variables used in entrepreneurship studies cannot be evaluated indiscriminately. Instead, the researcher's choice depends on her assessment of what the salient community valorizes and the depth of the venture's embeddedness in that local community. A few notable studies indicate that it is crucial to understand the interdependence between resources accessible through social contexts and the forces of the social context itself

(Bradley, Aldrich, Shepherd, & Wiklund, 2011; McCann & Folta, 2008). We argue that our approach provides a more complete understanding of new venture performance since the distinction between different kinds of growth objectives is rarely made explicit. Moreover, by taking the dependent variable for granted, the resulting measures of what drives venture performance say more about the theory being scrutinized and less about understanding that performance observed. In sum, we aim to help researchers overcome this lack of careful consideration of the performance metric employed by adding salient theoretic boundaries.

Reciprocation through Community Employment

Finally, we contribute to the literature on local community endurance the idea that the strategic orientation of employment growth arising from community engagement is an important influence on local communities' persistent effects (Marquis & Battilana, 2009). Prior studies point the way with studies of how large firms avail themselves of CSR and philanthropic activities (Marquis et al., 2007) to gain support. Nevertheless, that work does not address how new firms without the resources to reciprocate to maintain community support beyond promises of economic profit (Tolbert et al., 2002). One way to account for the support that new ventures gain is to view community not as a pool of resources that simply benefits new ventures, but instead as a reciprocal relationship from which strategic orientations emerge. This seems likely because new firms are not merely passive recipients of resources gained through conformity to local norms and cognitions. Communities have diverse individuals and interests, some of whom have no direct economic interest in the firms. For example, it is unclear why, say, musicians in the community might have any resources to offer or gain from a local pharmaceutical company's knowledge flows. Our analysis and results suggest that the missing mechanism is that firms take their norms from their community and will emphasize growth if human resources are valorized

as input.

In that way, strategic orientations and desired outcomes arise within communities, and heterogeneity arises between communities because different communities valorize employment differently. Continuing the example above, a firm might gain support from otherwise disinterested community members such as a musician. The firm's employees might become paying audience members for the musician and may generate political support for a community auditorium. Thus, in communities that valorize employees as outputs of the firm, the firm gains community support by providing a place to work that also attracts talent that benefits the firms and facilitates a more desirable community. Indeed, this reciprocal nature of communities and organizations is a latent theme in classic organizational theory that focused on occupational work and community ties (Burawoy, 1979; Selznick, 1949; Trist & Bamforth, 1951). What emerges from our perspective is that the heterogeneous community valorization of employment shapes the prioritization of community logics that firms use to pursue their strategies and objectives.

Our study implies that the employment that new ventures provide is the reciprocal benefit that local community members receive to support new ventures. A consequence of this is the persistence of community influences. As new ventures become more embedded in a multiplex of social ties in a geographic location, they will employ more people (compared to non-engaged ventures). However, free of these community ties, ventures might pursue growth at the expense of employment., loosening the social ties that allow a local community to adhere. Thus, by adopting stakeholder logics as community ties and reciprocation occurs, the community endures in ways not possible with a shareholder logic. In sum, we show robust results consistent with the idea that the mechanism of providing employment is a reciprocal benefit that ventures offer in exchange for community support accounting for their endurance in the face of centrifugal forces

of technology and globalization.

CONCLUSION

In this study, we illuminate how ventures prioritize their strategic objectives in a complex institutional environment. We showed how dominant logics are made porous by increasing levels of a venture's community engagement. We shift the focus of how ventures are embedded in a community focusing on resource acquisition relationships and a complex set of local multiplex ties that change strategic orientations. Thus, we add to explanations of how communities shape ventures by conceptualizing community logics as plural, competing, and shifting to offer a more complete view of community and entrepreneurship by illuminating the circumstances under which venture embrace competing logics.

We started this study by observing that some communities emphasize financial success, while others emphasize employment. We show that these competing orientations have real consequences for firm outcomes. It is that valorization of employees as either inputs to the firm or members of the community that motivates ventures to hire or substitute labor. It means that some firms are not growing sales fast as observers would hope, perhaps because they do not want to. And so, by bringing this lens of local culture to the heretofore neo-economic meanings of venture performance, we uncover generalizable reasons managers act heterogeneously that transcend industries and place. Our explanation does not depend on local access to resources. Instead, we argue that increasing engagement with a community increases its valorization of employment as an output. Thus, by accounting for a firm's engagement in its locale, researchers can better understand entrepreneurial outcomes, and communities can take its place alongside resources and opportunities as an essential institutional condition.

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TABLES & FIGURES

Table 1. Descriptive statistics and pair-wise correlation coefficients for variables (N=23099 firms).

		Mean	SD	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)
(1)	Multiplex local engagement	1.81	0.96	0	4						
(2)	Urban founder	0.60	0.49	0	1	0.07					
(3)	Urban firm	0.79	0.41	0	1	0.14	0.53				
(4)	Employment (count, unscaled)*	9.95	12.82	1	101	0.09	0.02	0.06			
(5)	Employment growth rate (log)	0.22	1.15	-2.33	5.50	0.09	0.04	0.08	0.69		
(6)	Sales (in M Yen, unscaled)*	404.77	1194.76	1	72572	0.03	0.01	0.03	0.30	0.19	
(7)	CAGR (log)	0.69	1.10	-2.40	8.43	-0.04	0.03	0.05	0.09	0.56	0.10
(8)	Age of founder	42.81	10.42	17.24	90.60	-0.13	-0.13	-0.09	-0.07	-0.07	0.01
(9)	Female founder	0.06	0.25	0.00	1.00	0.00	0.01	0.00	-0.03	-0.03	-0.02
(10)	C-corp firm	0.22	0.42	0	1	0.09	0.02	0.09	0.28	0.24	0.16
(11)	Public firm	0.10	0.30	0	1	0.06	0.03	0.07	0.27	0.17	0.23
(12)	Bankrupt firm	0.10	0.30	0	1	-0.08	-0.01	0.02	0.05	0.14	0.04
(13)	Year of data collection (dummy)	2008.15	1.27	1999	2009	0.07	0.00	-0.03	-0.02	-0.18	-0.01
(14)	GDP of Prefecture, at Founding (in M Yen)	42.34	29.39	2.11	87.04	0.28	0.24	0.57	0.05	0.11	0.02
(15)	Industry (7 types)**	4.20	2.13	1	7	0.49	0.07	0.16	0.15	0.16	-0.02
(16)	Industry (3-digit SIC)**	521.85	195.61	11	874	0.35	0.04	0.10	0.08	0.05	0.02
(17)	Cohort**	2002.83	2.54	1999	2007	0.00	0.02	0.02	-0.12	0.30	-0.08

**not used in model, for reference only*

*** variables used only in matching algorithm*

Table 1. (Continued)

		(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1)	Multiplex local engagement										
(2)	Urban founder										
(3)	Urban firm										
(4)	Employment (count, unscaled)*										
(5)	Employment growth rate (log)										
(6)	Sales (in M Yen, unscaled)*										
(7)	CAGR (log)										
(8)	Age of founder	0.03									
(9)	Female founder	-0.03	0.00								
(10)	C-corp firm	0.01	0.02	-0.05							
(11)	Public firm	-0.01	-0.05	-0.04	0.19						
(12)	Bankrupt firm	0.15	0.05	-0.01	0.08	-0.03					
(13)	Year of data collection (dummy)	-0.25	-0.04	0.01	-0.05	0.02	-0.76				
(14)	GDP of Prefecture, at Founding (in M Yen)	0.11	-0.08	0.00	0.15	0.07	0.01	-0.01			
(15)	Industry (7 types)**	-0.01	-0.17	0.03	0.10	-0.01	-0.02	0.02	0.23		
(16)	Industry (3-digit SIC)**	-0.02	-0.09	0.02	0.09	-0.01	-0.05	0.05	0.21	0.66	
(17)	Cohort**	0.67	0.03	0.01	-0.11	-0.13	-0.23	0.23	0.11	0.07	0.05

** not used in model, for reference only*

*** variables used only in matching algorithm*

Table 2. H1a: Effect of Multiplex Engagement on Employment Growth in Matched Sample of All Japanese Ventures (1999-2007).

	H1a	(1) OLS (non-endogenous)		(2) Controls (endogenous)		(3) Full (endogenous)	
Controls							
Founder Age		-0.046***	(0.00)	-0.047***	(0.00)	-0.045***	(0.00)
Founder Age^2		0.000***	(0.00)	0.000***	(0.00)	0.000***	(0.00)
Female Founder		-0.030	(0.02)	-0.027	(0.02)	-0.030	(0.02)
C-Corp		0.541***	(0.01)	0.559***	(0.01)	0.541***	(0.01)
Public firm		0.498***	(0.02)	0.506***	(0.02)	0.498***	(0.02)
Bankruptcy		0.237***	(0.05)	0.215***	(0.05)	0.237***	(0.05)
CAGR		0.582***	(0.01)	0.581***	(0.01)	0.582***	(0.01)
Main Effects							
Multiplex 1	+	0.142***	(0.02)			0.143***	(0.02)
Multiplex 2	+	0.254***	(0.02)			0.254***	(0.02)
Multiplex 3	+	0.303***	(0.03)			0.303***	(0.03)
Multiplex 4	+	0.358***	(0.04)			0.358***	(0.04)
Endogenous Selection Model							
GDP of Prefecture, at Founding				0.020***	(0.00)	0.020***	(0.00)
C-Corp				-0.018	(0.02)	-0.018	(0.02)
Public firm				0.106***	(0.02)	0.106***	(0.02)
Founder Age				-0.008***	(0.00)	-0.008***	(0.00)
Female Founder				0.001	(0.03)	0.001	(0.03)
Multiplexity				-0.030***	(0.01)	-0.029***	(0.01)
Bankruptcy				-0.048	(0.03)	-0.047	(0.03)
CAGR				-0.005	(0.01)	-0.005	(0.01)
Endogeneity Tests							
Error Variance of DV				0.804***	(0.01)	0.796***	(0.01)
var(Selection)				0.986***	(0.01)	0.986***	(0.01)
Error Correlation of DV & Selection				0.018***	(0.01)	0.018***	(0.01)
Log likelihood		-30139.40		-62213.10		-62102.44	
N of firms		23099		23099		23099	

Notes: Robust standard errors in parentheses. Year dummies and constant included but not reported in main and selection models.
****p<.01, **p<.05, *<.10*

Table 3. H1b: Effect of Multiplex Engagement on Financial Growth in Matched Sample of All Japanese Ventures (1999-2007).

	H1b	(1) OLS (non-endogenous)		(2) Controls (endogenous)		(3) Full (endogenous)	
Controls							
Founder Age		0.018***	(0.00)	0.018***	(0.00)	0.018***	(0.00)
Founder Age^2		-0.000***	(0.00)	-0.000***	(0.00)	-0.000***	(0.00)
Female Founder		-0.055**	(0.02)	-0.058**	(0.02)	-0.055**	(0.02)
C-Corp		-0.297***	(0.01)	-0.307***	(0.01)	-0.297***	(0.01)
Public firm		-0.287***	(0.02)	-0.291***	(0.02)	-0.287***	(0.02)
Bankruptcy		-0.256***	(0.05)	-0.242***	(0.05)	-0.257***	(0.05)
Headcount		0.558***	(0.01)	0.554***	(0.01)	0.558***	(0.01)
Main Effects							
Multiplex 1	-	-0.131***	(0.03)			-0.131***	(0.03)
Multiplex 2	-	-0.190***	(0.03)			-0.189***	(0.03)
Multiplex 3	-	-0.228***	(0.03)			-0.229***	(0.03)
Multiplex 4	-	-0.315***	(0.04)			-0.315***	(0.04)
Endogenous Selection Model							
GDP of Prefecture, at Founding				0.020***	(0.00)	0.020***	(0.00)
C-Corp				-0.025	(0.02)	-0.025	(0.02)
Public firm				0.100***	(0.02)	0.100***	(0.02)
Founder Age				-0.008***	(0.00)	-0.008***	(0.00)
Female Founder				0.003	(0.03)	0.003	(0.03)
Multiplexity				-0.031***	(0.01)	-0.030***	(0.01)
Bankruptcy				-0.045	(0.03)	-0.045	(0.03)
Headcount				0.012**	(0.01)	0.012*	(0.01)
Endogeneity Tests							
Error Variance of DV				0.766***	(0.01)	0.762***	(0.01)
var(Selection)				0.985***	(0.01)	0.985***	(0.01)
Error Correlation of DV & Selection				-0.015**	(0.01)	-0.015**	(0.01)
Log likelihood		-29639.94		-61668.95		-61607.50	
N of firms		23099		23099		23099	

Notes: Robust standard errors in parentheses. Year dummies and constant included but not reported in main and selection models.
****p<.01, **p<.05, *<.10*

Table 4. H2a: Effect of Multiplex Engagement and Urban Founder on Employment Growth in Matched Sample of Urban Japanese Ventures (1999-2007).

	H2a	(1) Controls (endogenous)		(2) Main Effects (endogenous)		(3) Interactions (endogenous)	
Controls							
Founder Age		-0.045***	(0.00)	-0.047***	(0.00)	-0.043***	(0.00)
Founder Age^2		0.000***	(0.00)	0.000***	(0.00)	0.000***	(0.00)
Female Founder		-0.030	(0.02)	-0.027	(0.02)	-0.043	(0.03)
C-Corp		0.541***	(0.01)	0.546***	(0.02)	0.575***	(0.02)
Public firm		0.498***	(0.02)	0.505***	(0.02)	0.491***	(0.02)
Bankruptcy		0.237***	(0.05)	0.235***	(0.05)	0.313***	(0.06)
CAGR		0.582***	(0.01)	0.585***	(0.01)	0.580***	(0.01)
Main Effects							
Multiplex 1	+	0.143***	(0.02)	0.147***	(0.02)	0.267***	(0.05)
Multiplex 2	+	0.254***	(0.02)	0.264***	(0.02)	0.425***	(0.05)
Multiplex 3	+	0.303***	(0.03)	0.321***	(0.03)	0.474***	(0.06)
Multiplex 4	+	0.358***	(0.04)	0.376***	(0.04)	0.634***	(0.08)
Interactions							
Non-urban Firm & Urban CEO				-0.002	(0.05)		
Urban Firm & Non-urban CEO				-0.037	(0.02)		
Urban Firm & Urban CEO				-0.154***	(0.03)	0.972***	(0.17)
Urban CEO x Multiplex 1	-					-0.158**	(0.06)
Urban CEO x Multiplex 2	-					-0.205***	(0.06)
Urban CEO x Multiplex 3	-					-0.203***	(0.06)
Urban CEO x Multiplex 4	-					-0.342***	(0.09)
Endogenous Selection Model							
GDP of Prefecture, at Founding		0.020***	(0.00)	0.020***	(0.00)	-0.002***	(0.00)
C-Corp		-0.018	(0.02)	-0.018	(0.02)	-0.023***	(0.01)
Public firm		0.106***	(0.02)	0.106***	(0.02)	-0.010	(0.01)
Founder Age		-0.008***	(0.00)	-0.008***	(0.00)	-0.005***	(0.00)
Female Founder		0.001	(0.03)	0.001	(0.03)	0.025*	(0.01)
Multiplexity		-0.029***	(0.01)	-0.029***	(0.01)	0.006*	(0.00)
Bankruptcy		-0.047	(0.03)	-0.047	(0.03)	-0.056***	(0.02)
CAGR		-0.005	(0.01)	-0.004	(0.01)	0.007**	(0.00)
Endogeneity Tests							
Error Variance of DV		0.796***	(0.01)	0.800***	(0.01)	0.927***	(0.05)
var(Selection)		0.986***	(0.01)	0.986***	(0.01)	0.191***	(0.00)
Error Correlation of DV & Selection		0.018***	(0.01)	0.082***	(0.01)	-0.378***	(0.06)
Log likelihood		-62102.44		-62085.45		-34176.81	
N of firms		23099		23099		18031	

Notes: Robust standard errors in parentheses. Year dummies and constant included but not reported in main and selection models.
****p<.01, **p<.05, *<.10*

Table 5. H2b: Effect of Multiplex Engagement and Urban Founder on Financial Growth in Matched Sample of Urban Japanese Ventures (1999-2007).

	H2b	(1) Controls (endogenous)		(2) Main Effects (endogenous)		(3) Interactions (endogenous)	
Controls							
Founder Age		0.018***	(0.00)	0.021***	(0.00)	0.012**	(0.00)
Founder Age^2		-0.000***	(0.00)	-0.000***	(0.00)	-0.000***	(0.00)
Female Founder		-0.055**	(0.02)	-0.061**	(0.02)	-0.011	(0.04)
C-Corp		-0.297***	(0.01)	-0.318***	(0.01)	-0.379***	(0.03)
Public firm		-0.287***	(0.02)	-0.314***	(0.02)	-0.319***	(0.03)
Bankruptcy		-0.257***	(0.05)	-0.249***	(0.05)	-0.455***	(0.07)
Headcount		0.558***	(0.01)	0.552***	(0.01)	0.553***	(0.01)
Main Effects							
Multiplex 1	-	-0.131***	(0.03)	-0.145***	(0.03)	-0.256***	(0.06)
Multiplex 2	-	-0.189***	(0.03)	-0.228***	(0.03)	-0.326***	(0.06)
Multiplex 3	-	-0.229***	(0.03)	-0.294***	(0.03)	-0.424***	(0.07)
Multiplex 4	-	-0.315***	(0.04)	-0.385***	(0.04)	-0.530***	(0.08)
Interactions							
Non-urban Firm & Urban CEO				0.206***	(0.05)		
Urban Firm & Non-urban CEO				0.303***	(0.02)		
Urban Firm & Urban CEO				0.561***	(0.03)	-2.440***	(0.24)
Urban CEO x Multiplex 1	+					0.152**	(0.07)
Urban CEO x Multiplex 2	+					0.144**	(0.07)
Urban CEO x Multiplex 3	+					0.197***	(0.07)
Urban CEO x Multiplex 4	+					0.234***	(0.09)
Endogenous Selection Model							
GDP of Prefecture, at F~g		0.020***	(0.00)	0.020***	(0.00)	-0.002***	(0.00)
C-Corp		-0.025	(0.02)	-0.024	(0.02)	-0.022***	(0.01)
Public firm		0.100***	(0.02)	0.100***	(0.02)	-0.009	(0.01)
Founder Age		-0.008***	(0.00)	-0.008***	(0.00)	-0.005***	(0.00)
Female Founder		0.003	(0.03)	0.003	(0.03)	0.023*	(0.01)
Multiplexity		-0.030***	(0.01)	-0.029***	(0.01)	0.006	(0.00)
Bankruptcy		-0.045	(0.03)	-0.045	(0.03)	-0.059***	(0.02)
Headcount		0.012*	(0.01)	0.012**	(0.01)	-0.002	(0.00)
Endogeneity Tests							
Error Variance of DV		0.762***	(0.01)	0.794***	(0.01)	1.802***	(0.21)
var(Selection)		0.985***	(0.01)	0.985***	(0.01)	0.191***	(0.00)
Error Correlation of D & Selection		-0.015**	(0.01)	-0.229***	(0.01)	0.761***	(0.03)
Log likelihood		-61607.50		-61457.45		-33747.06	
N of firms		23099		23099		18031	

Notes: Robust standard errors in parentheses. Year dummies and constant included but not reported in main and selection models.
****p<.01, **p<.05, *<.10*