

FROM SIDE HUSTLES TO VENTURE CREATION: AN INDIVIDUAL-BASED MULTI-VALUE CONFIGURATION THEORY OF ENTREPRENEURSHIP

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Abstract: Contemporary entrepreneurship research remains largely anchored in a firm-centric paradigm that equates entrepreneurial action with venture creation and organizational founding. While this approach has enabled cumulative theory building, it increasingly fails to account for a growing range of entrepreneurial activities that unfold at the individual level, including side hustles, hybrid entrepreneurship, and AI-enabled micro-ventures. This paper develops the Individual-Based Multi-Value Configuration Theory (IMVCT), a novel theoretical framework that reconceptualizes entrepreneurship as a dynamic managerial configuration process centered on individuals rather than firms. IMVCT defines entrepreneurship as the continuous allocation and reallocation of time, capabilities, risk exposure, and identity commitment across scalable value-creating activities under uncertainty. Building on this definition, the paper proposes a four-state configuration model that explains entrepreneurial persistence, transition, and escalation without presuming linear progression toward organizational formation. By theorizing digital platforms and artificial intelligence as structural forces that shift experimentation, coordination, and scaling costs, IMVCT extends configuration theory to the individual level and offers a more precise account of entrepreneurial heterogeneity in technology-mediated contexts. The theory contributes to entrepreneurship and management research by reframing firm formation as a contingent outcome rather than a definitional boundary, thereby expanding the conceptual domain of entrepreneurial action.

Keywords: Entrepreneurship theory; Configuration theory; Individual-level entrepreneurship; Digital platforms; Artificial intelligence

1 INTRODUCTION

Entrepreneurship has long been a core construct in management and economic research. Classical and contemporary theories alike have largely converged on a firm-centric understanding, in which entrepreneurship is defined by the creation of new ventures, the establishment of organizations, and sustained commitment to firm growth[1,2]. Within this paradigm, entrepreneurial action is typically identified at the moment of firm founding, and entrepreneurial success is assessed through organizational outcomes such as survival, scale, and performance[3].

This firm-centric orientation has provided analytical clarity and facilitated cumulative research. However, it also embeds a strong normative assumption: that entrepreneurship necessarily culminates in organizational formation and that activities falling short of this threshold are analytically incomplete or transitional[4]. As a result, a growing set of entrepreneurial behaviors that do not conform to this trajectory remain theoretically marginalized within mainstream management research.

Recent technological and economic developments have rendered these assumptions increasingly problematic. Digital platforms, cloud-based infrastructures, and artificial intelligence (AI) technologies have substantially reduced the costs of experimentation, coordination, and market access[4,5]. Individuals can now initiate, test, and scale value-creating activities with limited capital investment, minimal fixed assets, and without immediate organizational commitment. In parallel, labor markets characterized by flexibility, project-based work, and remote collaboration have enabled individuals to maintain multiple income-generating and value-creating activities simultaneously.

These conditions expose a theoretical gap in firm-centric entrepreneurship models, which lack the conceptual tools to explain how value creation persists without organizational commitment. Importantly, these arrangements are not merely temporary responses to economic shocks or transitional steps toward venture creation. In many cases, individuals deliberately sustain such configurations over extended periods, generating meaningful economic and innovative value while preserving reversibility and strategic flexibility.

Despite their prevalence, these forms of entrepreneurship remain insufficiently theorized. Existing research often interprets them through the lenses of necessity entrepreneurship, career experimentation, or labor market adjustment, implicitly reaffirming firm formation as the benchmark of “real” entrepreneurship. Such interpretations obscure the managerial logic underlying sustained hybrid configurations and limit the field’s ability to explain contemporary entrepreneurial behavior in digital and AI-enabled contexts.

This paper argues that addressing this gap requires a reconceptualization of entrepreneurship at the level of the individual rather than the firm. Specifically, entrepreneurship should be understood as a managerial process through which individuals allocate and reallocate resources across multiple value-creating activities under conditions of uncertainty. From this perspective, organizational formation is one possible outcome of entrepreneurship, but not its defining feature.

To advance this argument, the paper introduces the Individual-Based Multi-Value Configuration Theory (IMVCT). IMVCT shifts the unit of analysis from organizations to individuals and conceptualizes entrepreneurship as a dynamic configuration of four interdependent dimensions: time allocation, capability deployment, risk exposure, and identity commitment. Entrepreneurial outcomes are theorized to emerge from the alignment and reconfiguration of these dimensions rather than from discrete organizational events.

This study makes three primary contributions to management and entrepreneurship research. First, it challenges firm-centric assumptions by demonstrating that entrepreneurial value creation can occur independently of organizational founding. Second, it extends configuration theory to the individual level, offering a systematic framework for analyzing heterogeneous entrepreneurial arrangements. Third, it theorizes digital platforms and AI technologies as structural forces that shift configuration costs, thereby expanding the feasible set of entrepreneurial strategies available to individuals.

By developing IMVCT, this paper seeks to provide a theoretically rigorous and empirically relevant account of entrepreneurship that better reflects the strategic realities of value creation in contemporary, technology-mediated economies.

2 LIMITATIONS OF FIRM-CENTRIC ENTREPRENEURSHIP THEORY

Entrepreneurship research within management science has historically developed around the firm as the primary unit of analysis[3]. Dominant theories conceptualize entrepreneurship in terms of venture creation, organizational founding, and subsequent firm-level outcomes such as growth, innovation, and performance. Within this tradition, entrepreneurial action is typically identified at the point where individuals cross the threshold from employment or self-employment into formal organizational formation.

This firm-centric orientation has yielded substantial theoretical and empirical advances. By focusing on firms, scholars have been able to operationalize constructs such as opportunity recognition, resource orchestration, competitive advantage, and performance using relatively stable analytical units. However, this same orientation has also introduced structural limitations that increasingly constrain the explanatory power of entrepreneurship theory in contemporary economic contexts.

2.1 Organizational Formation as an Implicit Normative Benchmark

A central limitation of firm-centric entrepreneurship theory lies in its implicit normative benchmark: that entrepreneurship is only fully realized when it results in organizational formation. Activities that do not culminate in firm creation are frequently categorized as preparatory, transitional, or incomplete[3,4]. This assumption is rarely made explicit, yet it profoundly shapes how entrepreneurial behavior is interpreted.

As a consequence, entrepreneurial efforts that prioritize experimentation, reversibility, or portfolio-based value creation are often treated as deviations from the entrepreneurial ideal. Individuals who sustain hybrid arrangements or deliberately avoid organizational commitment are implicitly framed as lacking ambition, resources, or legitimacy. Such interpretations conflate analytical classification with normative judgment and obscure the strategic rationality underlying these choices.

2.2 Analytical Blind Spots in Firm-Centric Models

Firm-centric theories generate several analytical blind spots when applied to individual-level entrepreneurial behavior. First, they struggle to account for simultaneity—the fact that individuals may manage multiple value-creating activities concurrently. Most models implicitly assume exclusivity: that entrepreneurial effort is directed toward a single venture that competes with employment rather than coexisting with it[2,4].

Second, firm-centric approaches tend to emphasize irreversibility as a defining feature of entrepreneurship. Organizational founding is typically associated with sunk costs, legal commitments, and reputational exposure. While irreversibility is undoubtedly important in many entrepreneurial contexts, treating it as a defining characteristic renders theory ill-suited to explain entrepreneurial behavior in environments where reversibility is both feasible and strategically valuable.

Third, existing models often rely on firm-level performance metrics as proxies for entrepreneurial success. This emphasis marginalizes learning, option value, and strategic flexibility—outcomes that may be highly salient at the individual level, particularly during early or hybrid entrepreneurial configurations.

2.3 Side Hustles and Hybrid Entrepreneurship as Under-Theorized Phenomena

In response to the growing prevalence of side hustles and hybrid entrepreneurship, a body of research has emerged examining multiple jobholding, portfolio careers, and hybrid work arrangements[6]. Much of this literature, however, is rooted in labor economics, career theory, or work–life balance research. While these perspectives offer valuable insights into income diversification and employment dynamics, they do not provide a theory of entrepreneurial value creation.

When examined through firm-centric entrepreneurship lenses, side hustles are frequently interpreted as transitional states—a temporary phase preceding venture creation or a fallback strategy driven by necessity. Such interpretations

fail to explain why many individuals deliberately sustain hybrid configurations even when firm formation is feasible, or why some individuals generate scalable value without ever forming organizations.

2.4 Technological Change and the Erosion of Firm-Centric Assumptions

The limitations of firm-centric theory are further amplified by technological change. Digital platforms, cloud computing, and AI technologies have reconfigured the cost structure of entrepreneurial activity[7,8]. Activities that previously required organizational resources—such as customer acquisition, production coordination, analytics, and scaling—can now be performed by individuals using standardized digital infrastructures.

These technologies reduce experimentation costs by enabling rapid testing and iteration, lower coordination costs through platform-mediated transactions, and compress scaling costs by decoupling output from linear increases in labor. As a result, individuals can achieve levels of reach and impact that were previously associated with firms, without incurring the irreversibility traditionally linked to organizational formation.

Despite these changes, much of entrepreneurship theory continues to treat digital and AI technologies as contextual enablers rather than as forces that reshape the fundamental logic of entrepreneurial organization[9]. This treatment limits the field's ability to theorize why entrepreneurial activity increasingly occurs outside formal organizational boundaries.

2.5 Theoretical Consequences and Need for Reframing

Taken together, these limitations suggest that firm-centric entrepreneurship theory captures only a subset of contemporary entrepreneurial phenomena. By privileging organizational outcomes, it under-theorizes entrepreneurial configurations that emphasize learning, optionality, and strategic reversibility. This gap is not merely empirical; it reflects a deeper theoretical misalignment between existing constructs and the realities of entrepreneurial value creation in digital and AI-enabled environments.

Addressing this misalignment requires more than incremental extensions of existing models. It calls for a reframing of entrepreneurship as a process that can be meaningfully analyzed at the individual level, independent of organizational formation. Such a reframing must account for how individuals allocate resources across multiple activities, manage risk dynamically, and negotiate identity commitments over time.

The following section responds to this need by introducing the Individual-Based Multi-Value Configuration Theory (IMVCT), which reconceptualizes entrepreneurship as a dynamic configuration process centered on individual-level managerial decision-making.

3 INDIVIDUAL-BASED MULTI-VALUE CONFIGURATION THEORY (IMVCT)

This section develops the Individual-Based Multi-Value Configuration Theory (IMVCT) as a theory of entrepreneurship centered on individual-level managerial allocation under uncertainty. IMVCT is designed as a theory-building contribution that (a) relocates the unit of analysis from firms to individuals, (b) reframes entrepreneurship as a configuration mechanism rather than an organizational outcome, and (c) theorizes digital platforms and AI as structural forces that shift configuration costs and, therefore, expand the feasible set of entrepreneurial arrangements.

3.1 Theoretical Motivation and Core Claims

The core motivation for IMVCT is that a firm-centric definition of entrepreneurship obscures a growing class of entrepreneurial phenomena—side hustles, hybrid entrepreneurship, portfolio work, and AI-enabled micro-ventures—in which value creation is real, scalable, and strategically managed, yet organizational founding is optional. In such settings, entrepreneurship is best understood as an individual's repeated choice among competing allocations of scarce resources (time and attention), heterogeneous assets (capabilities and networks), exposure to downside outcomes (risk), and interpretive commitments (identity).

IMVCT advances three core claims. First, entrepreneurial action can be analytically separated from organizational founding; venture creation is a possible configuration outcome, not the definitional boundary of entrepreneurship[1,4]. Second, entrepreneurial outcomes are configuration-dependent: they arise from internally consistent bundles of allocations across multiple dimensions rather than from isolated variables. Third, technological infrastructures—platforms and AI—reshape the opportunity set not merely by creating new markets, but by shifting the costs of experimentation, coordination, and scaling.

3.2 Intellectual Lineage and Theoretical Foundations

IMVCT synthesizes three research streams that are often discussed separately.

3.2.1 Configuration theory as a causal logic

Configuration theory provides the causal logic that outcomes are produced by conjunctural combinations of elements that “fit” together. Applied to entrepreneurship, this implies that what matters is not whether an individual has more time, higher skill, or stronger motivation in isolation, but whether the pattern of time, capability deployment, risk

exposure, and identity commitment forms a coherent configuration that can be sustained and adapted under uncertainty. IMVCT extends configuration logic from organizational systems to individual-level managerial systems[3,10].

3.2.2 Entrepreneurial judgment under uncertainty

Entrepreneurial judgment theory emphasizes that entrepreneurship involves decision-making under uncertainty, incomplete information, and heterogeneous expectations[1,5]. IMVCT draws on this insight to foreground allocation decisions as the micro-foundation of entrepreneurial action. Individuals continually decide whether to invest additional time, develop new capabilities, accept higher risk, or consolidate identity around an activity. These decisions are not one-off; they are revised as feedback arrives, as constraints change, and as alternative options become more or less attractive.

3.2.3 Identity-based perspectives as a commitment mechanism

Identity-based perspectives explain why individuals persist, escalate commitment, or disengage even when objective payoffs are ambiguous[4,7]. IMVCT treats identity commitment as a mechanism that (a) stabilizes configurations by making certain allocations feel appropriate and legitimate and (b) increases irreversibility by raising the psychological and social costs of exit. Identity commitment therefore helps explain why comparable economic opportunities can yield different entrepreneurial trajectories.

3.2.4 Positioning IMVCT against adjacent constructs

While IMVCT is compatible with the growing literature on hybrid entrepreneurship and portfolio careers, it is not reducible to either stream. Hybrid entrepreneurship research typically treats “employment plus self-employment” as a categorical condition, often operationalized through occupational status or income shares. Portfolio career research, by contrast, emphasizes multiplicity of roles and income sources, with primary attention to career motives, boundaryless careers, or work–life arrangements. IMVCT diverges by specifying a managerial mechanism—dynamic configuration—that can be observed even when occupational categories remain unchanged.

Conceptually, IMVCT also differs from effectuation and bricolage perspectives. Effectuation emphasizes decision heuristics under uncertainty, and bricolage highlights resource recombination under constraints[11,12]. IMVCT does not compete with these accounts; rather, it provides a higher-order structuring logic that explains when certain heuristics become sustainable. Under IMVCT, effectual reasoning is more likely to be stable in Market Validation configurations where experimentation costs are low and identity commitment remains distributed. Similarly, bricolage may be most diagnostic in Capability Monetization and early Market Validation when capability deployment is dominated by recombination rather than formal investment.

Most importantly, IMVCT contributes a precision that firm-centric entrepreneurship theories typically lack: it explains why individuals facing comparable opportunities can rationally select different entrepreneurial forms without invoking deficits (e.g., “lacking ambition”). Two individuals may observe identical demand signals yet diverge because their configurations differ in risk exposure buffers, identity centrality, or capability leverage enabled by AI tools. This configuration-level heterogeneity is the theoretical core that makes IMVCT empirically actionable: instead of asking whether an individual “becomes” an entrepreneur, researchers can examine how configuration alignment predicts persistence, scaling, cycling, or strategic staying.

3.3 Formal Definition and Scope Conditions

3.3.1 Definition

IMVCT defines entrepreneurship as a dynamic managerial process through which individuals allocate and reallocate time, capabilities, risk exposure, and identity commitment across scalable value-creating activities under uncertainty.

This definition deliberately decouples entrepreneurship from organizational founding while preserving what distinguishes entrepreneurship from routine work: purposive value creation under uncertainty with an orientation toward scalability (scalability can be realized via platforms, products, repeatable services, licensing, or organizational growth).

3.3.2 What IMVCT includes and excludes

IMVCT includes (a) hybrid entrepreneurship where individuals maintain employment while developing entrepreneurial activities, (b) portfolio entrepreneurship where multiple value streams are actively managed, and (c) AI-enabled entrepreneurial work where automation and digital infrastructures substitute for traditional organizational resources. IMVCT excludes purely recreational “hobbies” without a value-creating intent, and it is not a general theory of career mobility. While career transitions can be empirically associated with entrepreneurial configurations, IMVCT’s explanatory target is value creation through configuration, not occupational switching per se.

3.4 The IMVCT Architecture: Layers and Mechanisms

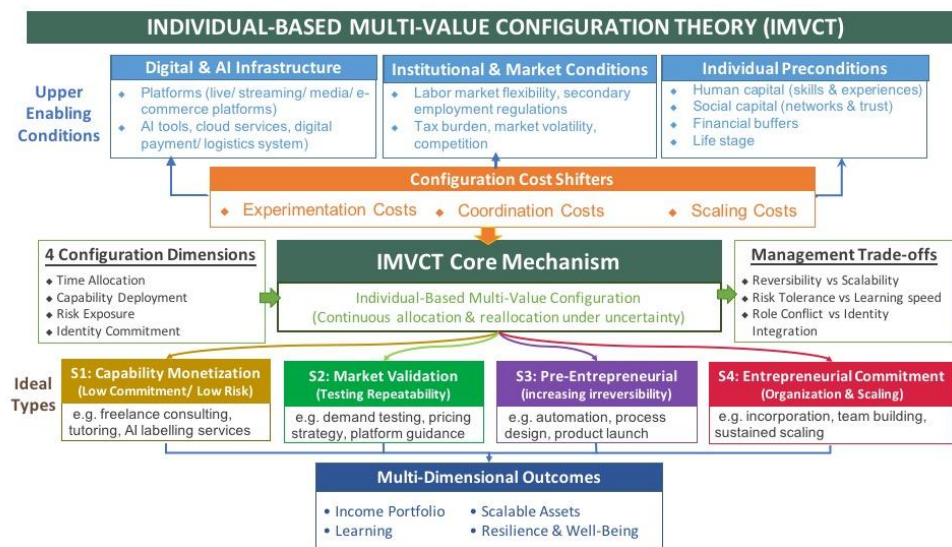


Figure 1 The IMVCT Architecture (Context→ Configuration Cost Shifters→ Dynamic Multi-Value Configuration→ Outcomes)

Source: Author's elaboration

3.4.1 Contextual conditions (Upper layer)

IMVCT distinguishes three contextual condition categories.

- (1) Digital and AI infrastructures: platform access, distribution channels, AI tooling, and digital payment/logistics systems that shape how easily activities can be initiated, tested, and scaled.
- (2) Institutional and market conditions: labor market flexibility, regulation of secondary employment, taxation and compliance burdens, and market volatility.
- (3) Individual preconditions: human capital (skills and expertise), social capital (networks and trust), financial buffers, and life-stage constraints.

These conditions influence which configurations are feasible and attractive, but they do not deterministically “cause” entrepreneurship[13]. IMVCT therefore treats them as boundary and enabling conditions that operate through cost and reversibility, see Figure 1.

3.4.2 Configuration cost shifters (Second layer)

Digital platforms and AI function as configuration cost shifters that systematically alter three cost categories[7,14,15].

- (1) Experimentation costs: the time and money required to test a value proposition and obtain feedback.
- (2) Coordination costs: the effort required to coordinate transactions, customers, partners, and workflows.
- (3) Scaling costs: the resources needed to increase output, reach, or revenue without linear increases in labor.

When these costs decline and reversibility increases, individuals can sustain hybrid and pre-entrepreneurial configurations for longer periods and can scale value creation without forming firms.

3.4.3 Core mechanism: Dynamic multi-value configuration (Third layer)

The central mechanism is dynamic multi-value configuration: individuals repeatedly allocate and reallocate four configuration dimensions across multiple value-creating activities, guided by feedback and constrained by context. Outcomes feed back into subsequent configurations, producing non-linear trajectories.

3.5 Core Configuration Dimensions and Their Interdependence

IMVCT specifies four interdependent configuration dimensions. The theory's explanatory power lies in how these dimensions jointly form coherent configurations.

3.5.1 Time allocation

Time allocation captures the distribution of finite attention and effort across activities. It is not simply “hours worked,” but the strategic sequencing of deep work, experimentation, customer acquisition, and operational maintenance. Time allocation also reflects the opportunity cost of alternative activities.

3.5.2 Capability deployment

Capability deployment refers to how individuals exploit and recombine skills, knowledge, and routines for value creation. It includes both exploitation (using existing expertise) and capability investment (developing new skills such as marketing analytics, productization, automation, and negotiation).

3.5.3 Risk exposure

Risk exposure captures financial volatility, career risk, reputational risk, and compliance risk. Importantly, risk exposure is configuration-dependent: the same activity can be low-risk when buffered by salary and high-risk when it becomes the primary income source.

3.5.4 Identity commitment

Identity commitment denotes the degree to which the entrepreneurial role becomes central to self-concept and social presentation. Identity commitment shapes persistence, willingness to incur switching costs, and tolerance for ambiguity[5].

3.6 Entrepreneurial Configuration States as Ideal Types

IMVCT specifies four entrepreneurial configuration states as ideal types—stable yet revisable patterns of alignment across the four dimensions. These are not developmental stages with an assumed endpoint; they are analytical categories that can be entered, maintained, exited, or revisited.

3.6.1 *Capability monetization configuration*

Individuals primarily exploit existing capabilities to generate direct value exchange with limited time allocation, low risk exposure, and distributed identity commitment. Typical manifestations include freelance consulting, tutoring, design and coding gigs, or AI-assisted service delivery conducted alongside employment.

3.6.2 *Market validation configuration*

Individuals increase selective time allocation and broaden capability deployment to test repeatability, pricing, and demand stability. Risk exposure rises moderately through reputational stakes and small sunk costs (tools, ads, subscriptions), while identity commitment begins to consolidate around a focal value proposition.

3.6.3 *Pre-entrepreneurial configuration*

Individuals concentrate resources around a focal activity while maintaining optionality. Time allocation becomes more concentrated, capability investment shifts toward systemization and managerial skills, and risk exposure increases via opportunity costs and volatility. Identity commitment deepens but may remain plural (e.g., professional and entrepreneurial identities coexist).

3.6.4 *Entrepreneurial commitment configuration*

Individuals allocate most resources to entrepreneurial activity, often accompanied by legal incorporation, team formation, contracts, financing, or formal governance. Risk exposure and irreversibility are high, and identity commitment is consolidated.

3.7 Side Hustles as Legitimate Entrepreneurial Configurations

IMVCT treats side hustles as analytically legitimate configurations rather than deviations from “real” entrepreneurship. In environments where experimentation and coordination costs are low, side hustles can be strategically optimal: they enable learning, preserve downside protection, and maintain reversibility. IMVCT therefore predicts that persistence in hybrid configurations can reflect rational configuration fit rather than indecision.

3.8 Boundary Conditions and Theoretical Precision

IMVCT’s predictions depend on institutional, technological, and individual constraints.

- (4) Institutional constraints: restrictions on secondary employment, tax compliance burdens, and social insurance design can raise coordination and risk costs, reducing the viability of hybrid configurations.
- (5) Infrastructure constraints: limited access to platforms, payment systems, or AI tools weakens cost-shifting effects and may restore the need for organizational resources.
- (6) Cultural constraints: norms around professional identity and risk-taking influence the willingness to sustain plural identities and to delay organizational founding.
- (7) Life-course constraints: financial obligations, caregiving responsibilities, and career stage narrow feasible configurations.

These boundary conditions strengthen the theory by clarifying where IMVCT should hold most strongly: technology-enabled environments with accessible platforms, relatively flexible labor institutions, and individuals with sufficient buffers to engage in iterative reconfiguration.

4 DYNAMIC CONFIGURATION MODEL

This section elaborates the dynamic configuration model implied by IMVCT. The central claim is not that individuals “progress” through stages, but that they continuously recompose a portfolio of value-creating activities in response to feedback, constraints, and evolving identity. The model treats entrepreneurial behavior as a sequence of configuration choices that can be reversible, path-dependent, and strategically non-linear[1,4,5].

4.1 Model Premises: Why Configurations Move

4.1.1 *Alignment as the driver of stability*

A configuration is stable when the four IMVCT dimensions—time allocation, capability deployment, risk exposure, and identity commitment—remain mutually reinforcing. Instability emerges when one-dimension changes faster than the others. For instance, a sharp increase in time allocation without commensurate capability investment often produces operational fragility; similarly, rising risk exposure without consolidated identity commitment increases the probability of exit after negative feedback. In IMVCT, “stability” is therefore a property of alignment, not of revenue level.

4.1.2 Feedback as a mechanism of reconfiguration

Configurations change because feedback alters perceived opportunity, perceived competence, and perceived downside. IMVCT distinguishes three feedback channels:

- (1) Market feedback (demand signals, conversion rates, repeat purchases, willingness-to-pay).
- (2) Operational feedback (delivery friction, automation leverage, time-to-fulfillment).
- (3) Identity feedback (self-efficacy, social validation, role congruence).

These channels jointly shape whether individuals intensify, pivot, or retreat. Crucially, the same market feedback may be interpreted differently depending on identity commitment and risk tolerance.

4.1.3 Technology as a cost and reversibility lever

Digital platforms and AI tools shift configuration dynamics by lowering experimentation costs (testing ideas faster), coordination costs (managing customers and workflows with less overhead), and scaling costs (reaching more customers without linear labor). This does not automatically push individuals toward incorporation. Instead, it expands the feasible set of configurations and increases the attractiveness of “strategic persistence” in hybrid or pre-entrepreneurial states[6].

4.2 Configuration State 1: Capability Monetization

Capability Monetization is the prototypical entry configuration in which individuals convert existing skills into immediate value exchange with minimal structural commitment.

4.2.1 Resource pattern and managerial logic

- (1) Time allocation is bounded and flexible (evenings, weekends, modular work blocks).
 - (2) Capability deployment emphasizes exploitation (using existing expertise) with limited investment.
 - (3) Risk exposure is low (little sunk cost, limited reputational exposure, primary income intact).
 - (4) Identity commitment is distributed (professional identity dominates; entrepreneurial identity remains peripheral).
- The managerial logic is to “test value” without locking in a single path. The configuration is not inferior to venture creation; it is a rational arrangement when uncertainty is high and the cost of wrong commitment is substantial.

4.2.2 Typical activities and an illustrative example

Common manifestations include freelance consulting, micro-agency services, tutoring, design/coding gigs, and AI-assisted deliverables (e.g., content drafting, translation, analytics dashboards). For example, a data analyst employed full-time may offer weekend consulting for small businesses, using AI tools to accelerate reporting and deliver results faster. The activity creates value and generates feedback while preserving salary-based downside protection.

4.2.3 Operational indicators for empirical work

Empirically, Capability Monetization can be proxied by:

- (1) hours/week allocated to the activity,
- (2) client/project count with short cycle times,
- (3) share of income from entrepreneurial activities below a threshold,
- (4) low fixed-cost commitments (tools and subscriptions minimal),
- (5) low switching costs (ability to pause within weeks).

4.3 Configuration State 2: Market Validation

Market Validation is the configuration in which individuals seek evidence of repeatability—whether the value proposition can be delivered consistently at a price the market accepts.

4.3.1 Resource pattern and managerial logic

- (1) Time allocation increases selectively and becomes more structured (content calendar, outreach pipeline).
 - (2) Capability deployment expands to include adjacent capabilities: marketing, pricing, process design, basic automation.
 - (3) Risk exposure rises moderately (small sunk costs, reputational stakes, opportunity costs).
 - (4) Identity commitment begins to consolidate: the individual starts “thinking like” an entrepreneur for a focal offer.
- The managerial logic shifts from “sell what I can do” to “validate a repeatable offer.” This is where many side hustles become strategically serious while still remaining reversible.

4.3.2 What is being validated

Market Validation focuses on five questions:

- (1) Demand stability: Is there repeat demand beyond one-off buyers?
- (2) Pricing power: Can pricing move upward without collapsing conversion?
- (3) Delivery repeatability: Can the work be delivered reliably with bounded effort?
- (4) Channel viability: Which platform/channel produces consistent leads?
- (5) Unit economics at the individual level: Is time-to-revenue improving?

AI’s role is often strongest here: it compresses iteration cycles and allows faster testing of offers, messaging, and fulfillment methods.

4.3.3 Illustrative example

Consider a content creator who begins with sporadic paid requests (Capability Monetization). During Market Validation, they productize a “monthly content package,” test pricing tiers, and measure retention. AI tools help draft, repurpose,

and schedule content. The key change is not “more income” per se, but evidence that the activity can be repeated predictably and scaled through systems.

4.3.4 Operational indicators

Potential measures include:

- (1) repeat purchase rate / subscriber retention,
- (2) conversion rate stability across weeks,
- (3) declining time per deliverable (automation leverage),
- (4) emergence of standardized packages,
- (5) increasing identity salience (self-reported entrepreneurial identity centrality).

4.4 Configuration State 3: Pre-Entrepreneurial Configuration

Pre-Entrepreneurial Configuration is the pivotal state in IMVCT. It is characterized by intensified commitment to a focal activity while deliberately retaining optionality. Many firm-centric theories interpret this as “incomplete entrepreneurship.” IMVCT treats it as a legitimate equilibrium under uncertainty.

4.4.1 Resource pattern and managerial logic

- (1) Time allocation becomes concentrated: the focal activity receives a substantial share of discretionary time and may start displacing leisure or even job effort.
- (2) Capability deployment shifts from delivery skills toward managerial skills: customer pipeline management, workflow standardization, negotiation, basic accounting/compliance, and automation design.
- (3) Risk exposure increases materially due to opportunity costs and volatility, even if the individual remains employed.
- (4) Identity commitment deepens but remains plural: the person may simultaneously identify as “professional” and “entrepreneur.”

The managerial logic is “build a scalable system while preserving downside protection.” This is often the economically rational choice when the environment rewards experimentation but penalizes premature irreversibility.

4.4.2 The distinctive tension: scalability vs. reversibility

This configuration is defined by a structural tension. To scale, individuals must invest in systems that create some sunk cost; to remain reversible, they must avoid commitments that cannot be unwound. This tension is managed through selective investments: low-cost automation, modular products, platform-based distribution, and limited contractual obligations.

4.4.3 Illustrative example

A software engineer builds a micro-SaaS on evenings and weekends. In Pre-Entrepreneurial Configuration, they invest in onboarding flows, customer support automation, and analytics instrumentation; they might also outsource small tasks. However, they postpone quitting their job until retention stabilizes and the product demonstrates robust unit economics. This is not delay; it is risk-calibrated configuration management.

4.4.4 Operational indicators

- (1) rising share of time allocated to focal activity,
- (2) larger “fixed” investments (tooling stack, paid acquisition tests),
- (3) formalization of processes (SOPs, automation scripts),
- (4) greater perceived switching costs,
- (5) stronger entrepreneurial identity salience, but still plural-role identity.

4.5 Configuration State 4: Entrepreneurial Commitment Configuration

Entrepreneurial Commitment is the configuration characterized by high irreversibility and consolidated identity. It may include incorporation, team formation, or external financing, but IMVCT emphasizes the underlying allocation pattern rather than legal status.

4.5.1 Resource pattern and managerial logic

- (1) Time allocation is concentrated: entrepreneurial activity dominates working time.
- (2) Capability deployment includes leadership, strategic coordination, hiring, and governance.
- (3) Risk exposure is high: income volatility, reputational exposure, contractual obligations, compliance responsibilities.
- (4) Identity commitment is consolidated: entrepreneurship becomes the primary self-defining role.

The managerial logic shifts from “validate and systemize” to “scale and defend.” Scaling typically requires deeper irreversibility, including contractual commitments, customer SLAs, or capital investments.

4.5.2 Illustrative example

A consultant who validated a repeatable training product transitions into Entrepreneurial Commitment by forming a small team, standardizing delivery, and investing in a platform for distribution. AI tools may support personalization at scale, but the dominant constraint becomes coordination complexity rather than experimentation speed.

4.5.3 Operational indicators

- (1) majority of income from entrepreneurial activity,
- (2) formal commitments (incorporation, contracts, employees/contractors),
- (3) sustained marketing spend or long-term channel investments,
- (4) heightened perceived irreversibility (exit would be costly).

4.6 Transition Mechanisms and Nonlinearity

4.6.1 Transition triggers

IMVCT posits that transitions are driven by changes in alignment, not by revenue thresholds alone. Common triggers include:

- (1) Positive alignment shocks: repeat demand + automation leverage + rising identity commitment.
- (2) Negative alignment shocks: burnout (time outpaces capability), compliance burdens (risk spikes), identity conflict (role incongruence).
- (3) Constraint shifts: layoffs, family obligations, regulatory changes, platform policy changes.

4.6.2 Retreat and cycling as rational behavior

Nonlinearity is not noise; it is strategic. Individuals may retreat from Pre-Entrepreneurial back to Market Validation when volatility rises, or maintain long-term hybrid configurations when the payoff to irreversibility is low. IMVCT treats cycling as a rational response to changing cost structures and identity dynamics.

4.6.3 The “stay” decision as an entrepreneurial outcome

A distinctive implication is that choosing to remain in a pre-entrepreneurial or hybrid configuration can be a legitimate entrepreneurial outcome. In digital and AI-enabled environments, the ability to generate scalable value without formal organization makes “staying” strategically coherent.

4.7 Path Dependence, Platform Exposure and Micro-Mechanics of Irreversibility

IMVCT further implies that irreversibility is not merely a function of incorporation; it can accumulate through platform exposure and reputational capital even within ostensibly reversible configurations. As individuals scale through digital infrastructures, they often become dependent on a small set of channels (e.g., a dominant marketplace, a social-media algorithm, or a single payment/distribution provider). This introduces a form of quasi-structural commitment: platform dependence creates asymmetric switching costs, where exiting a channel entails not only revenue loss but also the erosion of accumulated visibility, ratings, audience trust, and data-driven learning curves[16].

This mechanism clarifies why some individuals choose to incorporate relatively early while others delay formalization. Incorporation is not the only way to “lock in”; a creator with 80% of leads coming from one platform may face higher effective irreversibility than a legally incorporated entrepreneur who maintains diversified acquisition channels. In IMVCT terms, risk exposure rises endogenously through concentration—even if the legal structure remains minimal.

The model therefore predicts a specific nonlinearity: configurations can move toward higher irreversibility without corresponding increases in identity commitment, creating a fragile state. For example, a professional who scales a side hustle via aggressive paid acquisition and platform-specific tactics may experience rising risk exposure (financial and platform-policy risk) while still holding a distributed identity. Under negative shocks—algorithm changes, policy restrictions, or account suspensions—exit becomes more likely because identity commitment does not provide the psychological or social buffer needed to absorb losses and reconfigure.

Empirically, this suggests that transition triggers should incorporate concentration metrics (channel dependence, customer-source entropy) and platform policy volatility, not only revenue trajectories. Practically, it implies that configuration management requires deliberate channel diversification and capability investment in transferable assets (e.g., owned audiences, reusable IP, modular products), which preserve reversibility while allowing scaling. In short, IMVCT reframes irreversibility as a cumulative property that can arise inside hybrid configurations—an insight that firm-centric models miss when they equate commitment with incorporation.

5 RESEARCH PROPOSITIONS

This section formalizes IMVCT into propositions that can guide future empirical tests. Each proposition is derived from the configuration mechanism and is mapped explicitly to the four configuration states.

5.1 Proposition Development Logic

IMVCT is a configurational theory: it expects conjunctural causation and equifinality. Accordingly, the propositions are framed to capture (a) configuration-level patterns, (b) transition mechanisms, and (c) the role of technology as a moderator that shifts cost and reversibility.

5.2 Propositions Mapped to Configuration States

Proposition 1 (Configuration-based entrepreneurship).

Entrepreneurship is better conceptualized as an individual-level configuration process than as a discrete firm-creation event.

State linkage: applies to all states (4.2–4.5) by defining entrepreneurship at the configuration level rather than the organizational level.

Proposition 2 (Stability of early configurations).

Capability Monetization and Market Validation configurations can persist as stable equilibria when they jointly maximize learning efficiency and downside protection under uncertainty.

State linkage: Capability Monetization (4.2) and Market Validation (4.3).

Logic: low experimentation cost + bounded risk + modular time allocation sustains long-run viability.

Proposition 3 (Identity-driven transitions).

Transitions into Pre-Entrepreneurial and Entrepreneurial Commitment configurations are driven primarily by increases in identity commitment and perceived irreversibility rather than by revenue growth alone.

State linkage: Market Validation → Pre-Entrepreneurial (4.3 → 4.4) and Pre-Entrepreneurial → Commitment (4.4 → 4.5).

Logic: revenue is an input signal; identity commitment determines escalation tolerance and persistence under ambiguity.

Proposition 4 (Strategic persistence).

Prolonged residence in Pre-Entrepreneurial configurations is associated with higher long-term option value when uncertainty is high and technology reduces the cost of iterative reconfiguration.

State linkage: Pre-Entrepreneurial (4.4).

Logic: optionality is valuable when commitment is costly; AI/platform tools raise the return to experimentation without requiring firm formation[12,16,17].

Proposition 5 (Technology as a configuration cost moderator).

Digital platforms and AI operate as structural cost shifters that alter the configuration space available to individuals, thereby expanding the feasible configuration space and weakening the necessity of organizational formation for scalable value creation[6,8,12,18].

State linkage: moderates all states, but is strongest for Capability Monetization and Market Validation (4.2–4.3) where iteration speed matters most; and for Pre-Entrepreneurial (4.4) where automation reduces the cost of system-building.

Proposition 6 (Misalignment and exit).

Configuration misalignment—especially rising risk exposure without commensurate identity commitment or capability investment—predicts retreat or exit more strongly than objective market demand.

State linkage: explains retreats across 4.2–4.5.

Logic: demand can exist while the configuration is personally unsustainable.

Proposition 7 (Identity plurality and hybrid endurance).

Identity plurality (coexisting professional and entrepreneurial identities) increases the endurance of hybrid configurations by enabling selective commitment without full role replacement.

State linkage: primarily Capability Monetization and Pre-Entrepreneurial configurations (4.2 and 4.4).

6 DISCUSSION AND IMPLICATIONS

This section positions IMVCT within management research and clarifies its contributions, empirical implications, and practical relevance.

6.1 Theoretical Contributions to Entrepreneurship Research

6.1.1 Expanding the domain of entrepreneurship

IMVCT expands the analytic domain of entrepreneurship by treating firm formation as contingent rather than definitional. This shift resolves a recurring mismatch between theory and reality in platform- and AI-mediated contexts where individuals can create scalable value without building formal organizations.

6.1.2 A micro-foundation for entrepreneurial heterogeneity

Firm-centric models often treat entrepreneurial heterogeneity as variation in opportunity recognition or resources. IMVCT explains heterogeneity as configuration diversity: individuals may face similar opportunities but choose different allocations because their constraints, risk preferences, and identity commitments differ.

6.1.3 A commitment-based explanation of irreversibility

By placing identity commitment at the core, IMVCT explains why transitions often hinge on perceived irreversibility and role consolidation. This provides a mechanism for understanding why some individuals persist through ambiguity while others retreat despite similar market signals.

6.2 Contribution to Configuration and Strategy Research

6.2.1 Extending configuration logic to individuals

Configuration theory is typically applied at the firm level. IMVCT extends configurational causality to individuals as managerial systems. The “fit” is not among strategy, structure, and environment, but among time, capability, risk, and identity.

6.2.2 Equifinality and strategic optionality

IMVCT implies equifinality: different configurations can generate entrepreneurial value under different constraints. It also formalizes optionality as a strategic outcome, clarifying why “not founding a firm” may be optimal.

6.3 Implications for Digital and AI-Enabled Entrepreneurship

6.3.1 Technology as structural moderation, not context

IMVCT treats digital platforms and AI as structural moderators that alter cost and reversibility. This avoids a common weakness in digital entrepreneurship research where technology remains a background condition rather than a theorized mechanism.

6.3.2 Why AI increases the attractiveness of hybrid configurations

AI tools raise the productivity of marginal time blocks, enabling individuals to sustain Market Validation and Pre-Entrepreneurial configurations longer. The result is a greater prevalence of “slow-burn entrepreneurship” where growth is staged through configuration refinement rather than immediate venture formation[11,19].

6.3.3 Platform dependence and new risk forms

Technology also introduces new risk forms: platform policy changes, algorithmic visibility, data dependency, and compliance risks. IMVCT accommodates these risks by treating them as configuration-dependent; they intensify when scaling increases dependence on a single channel.

6.3.4 Generative AI as a configuration lever rather than a general productivity shock

A further implication concerns the specificity of generative AI (Gen AI). Treating Gen AI as a generic productivity enhancer obscures how it selectively reshapes configuration constraints. Within IMVCT, Gen AI primarily increases the productivity of marginal time blocks by compressing ideation-to-output cycles (e.g., drafting, prototyping, content production, basic coding, and customer communication). This effect is most pronounced in Capability Monetization and Market Validation, where individuals operate under tight time budgets and where the ability to iterate rapidly determines whether a value proposition is testable at all[20].

At the same time, Gen AI can shift capability deployment from “craft” to “system,” enabling individuals to productize services and create semi-automated delivery pipelines earlier than would otherwise be feasible. However, these gains introduce a subtle managerial hazard: when output becomes easier, individuals may scale volume before validating repeatability and unit economics. The configuration then drifts toward higher risk exposure (through time overload, customer promises, and reputational stakes) without corresponding capability investment in quality control and governance.

IMVCT therefore suggests that the managerial question is not “Should entrepreneurs adopt Gen AI?” but “Which configuration constraints does Gen AI relax, and which new constraints does it create?” This reframing generates testable predictions: Gen AI adoption should be associated with longer endurance in hybrid configurations, higher rates of productization, and greater sensitivity to reputation and platform-policy shocks when scaling is channel-concentrated.

6.4 Managerial Implications

6.4.1 Entrepreneurship as portfolio management

IMVCT reframes entrepreneurial decision-making as portfolio management: individuals should manage a portfolio of value streams with explicit rules for time allocation, capability investment, and risk limits.

6.4.2 Practical heuristics for configuration decisions

The theory suggests practical heuristics:

- (1) Cap time before capability: do not increase time allocation unless capability investment reduces delivery friction.
- (2) Test repeatability before irreversibility: prioritize validation metrics (retention, repeat demand) before quitting employment.
- (3) Treat identity work as managerial work: identity consolidation is a strategic lever that can be paced deliberately.

6.5 Educational and Policy Implications

6.5.1 Entrepreneurship education beyond business plans

IMVCT supports curricula that teach configuration skills: experimentation design, automation leverage, pricing tests, identity negotiation, and risk governance. These competencies match the lived reality of hybrid and AI-enabled entrepreneurship more closely than venture-plan centric instruction.

6.5.2 Policy: supporting experimentation, not only firm formation

Policy regimes that focus exclusively on firm formation miss the innovation value generated in hybrid configurations. Support instruments can be redesigned to reduce coordination burdens (simplified compliance), expand access to digital infrastructure, and provide micro-grants for experimentation.

6.6 Limitations and Directions for Future Research

IMVCT is conceptual and should be empirically evaluated across contexts. Future work could:

- (1) operationalize configuration states via longitudinal time-use and income data;
- (2) test identity commitment as a mediator between feedback and escalation;
- (3) compare institutional regimes that either enable or penalize hybrid entrepreneurship;
- (4) examine platform dependence as a risk amplifier across configurations.

7 CONCLUSION

This study set out to address a widening gap between dominant entrepreneurship theory and observed entrepreneurial practice. While much of management research continues to equate entrepreneurship with firm creation and

organizational commitment, an increasing share of entrepreneurial value creation now occurs at the individual level through hybrid, portfolio-based, and AI-enabled configurations. These forms of entrepreneurship challenge firm-centric assumptions and call for a reexamination of how entrepreneurial action is defined and analyzed[6,12,18].

In response, this paper developed the Individual-Based Multi-Value Configuration Theory (IMVCT), which reconceptualizes entrepreneurship as a dynamic managerial process through which individuals configure time, capabilities, risk exposure, and identity commitment across multiple value-creating activities. By relocating the unit of analysis from firms to individuals, IMVCT captures entrepreneurial behavior that is strategic, scalable, and persistent, yet not necessarily tied to organizational formation.

The theory yields several important insights. First, it clarifies why side hustles and hybrid entrepreneurship should be understood as legitimate and often optimal entrepreneurial configurations rather than as transitional anomalies. Second, it explains entrepreneurial transitions in terms of alignment and irreversibility across configuration dimensions, with identity commitment playing a central role in shaping escalation, persistence, and exit. Third, it demonstrates how digital platforms and AI technologies systematically reduce experimentation, coordination, and scaling costs, thereby enabling new entrepreneurial equilibria characterized by flexibility and reversibility.

Crucially, IMVCT does not reject firm creation as a meaningful entrepreneurial outcome. Instead, it situates venture formation as one possible configuration among many, contingent on contextual conditions, technological affordances, and individual preferences. This reframing allows entrepreneurship theory to accommodate a broader range of value-creating behaviors without imposing a singular normative trajectory.

By advancing a configuration-based, individual-centered perspective, this study extends the conceptual boundaries of entrepreneurship research and provides a foundation for future empirical investigation. As digital and AI technologies continue to reshape how value is created and scaled, theories that recognize entrepreneurship beyond firm formation will become increasingly essential. IMVCT represents a step toward such a theory, offering a more precise, inclusive, and context-sensitive understanding of entrepreneurial action.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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