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경영학 석사학위논문

**Sequential Homophily in Founding
Teams and Gender Disparity in
Entrepreneurship**

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ABSTRACT

Sequential Homophily in Founding Teams and Gender Disparity in Entrepreneurship

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A large body of organizational research has studied gender inequality in the context of established organizations. Recent studies, however, have examined gender inequality in new ventures by looking at the antecedents and outcomes of female entrepreneurship. Yet entrepreneurship is rarely a solo endeavor, and with whom female entrepreneurs found new ventures is critical to their success. Thus, this paper presents founding team composition as a source of gender disparity in entrepreneurship. I examine how an institutional change that lowers barriers to entrepreneurship increases team-level homogeneity and unintentionally contributes to the gender disparity in entrepreneurial quality. I utilize a deregulation on the minimum required founding team size in the Korean legal industry. The findings suggest that homogeneity in founding teams increases after the deregulation because of sequential homophily in co-founder recruitment – entrepreneurs' preference to first recruit more similar others and then reach out to less similar others. Furthermore due to the strong field-level correlation between gender and human capital attributes in the Korean legal industry, founding team quality is particularly undermined for women than men after the deregulation. To support these claims, I analyze 586 law firms founded by 2,572 lawyers in Korea between 2005 and 2014.

Keywords : homophily, entrepreneurship, founding teams, gender inequality

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1. INTRODUCTION

A large body of organizational research on gender inequality has focused on the various roles of *established organizations* in generating different outcomes for men and women in terms of hiring, rewards, and career advancement (Baron, 1984; Castilla, 2008; Fernandez & Sosa, 2005; Kanter, 1993; Reskin, 1993; Rivera & Tilcsik, 2016). However, more studies have started to examine gender inequality in *new ventures* (Jennings & Brush, 2013) by looking at a firm's origin (Phillips, 2005) and at the antecedents of female entrepreneurship such as social influence (Kacperczyk, 2013a), institutional foundations (Thebaud, 2015), and alternative opportunities inside a firm (Kacperczyk, 2013b). Other studies have also looked at the sources of gender differences in new venture success such as funding outcomes (Greenberg & Mollick, 2016; Guzman & Kacperczyk, 2016).

Yet entrepreneurship is rarely a solo endeavor, and with whom female entrepreneurs found new ventures can have lasting consequences on their performance. Entrepreneurship research has long emphasized the significance of founding teams in firm success. For instance, firms whose founding teams have higher human capital are more likely to survive and grow (Cooper, Gimeno-Gascon, & Woo, 1994), and entrepreneurs' social capital enables the new venture to receive financing (Baum & Silverman, 2004; Shane & Cable, 2002). Moreover, founding teams continue to have long lasting effects on the firm due to imprinting effects and path dependence in organizations. For instance, prior studies have shown founding team effects on subsequent organizational demography (Beckman & Burton, 2008), firm behavior (Beckman, 2006; Chatterji, 2009), and survival (Phillips, 2002). Such significance of founding teams on firm outcomes implies that an entrepreneur's

choice of co-founders is critical to one's success (Ruef, Aldrich, & Carter, 2003).

This study presents the composition of founding teams as a crucial dimension of gender disparity in entrepreneurship. I examine how an institutional change that lowers entry barriers to entrepreneurship may result in an unintended increase in the gender gap in entrepreneurial quality. Specifically, I utilize a deregulation in the Korean legal services industry that lowered the minimum required number of founders of a law firm. First, I argue that demographic homogeneity in founding teams increases after the deregulation, because homophily in co-founder recruitment follows a sequential order in which founders first exhaust social ties to more similar others and then recruit less similar others. Second, I further suggest that, due to field-level demographic constraints in the Korean legal industry, the entrepreneurial quality of female founders is particularly undermined as compared to that of male founders. Given that women only recently started to enter the industry along with the large growth of the profession itself, there is a negative correlation between gender and human capital attributes such as elite education, judicial experience, and industry tenure. This inevitable correlation at the field-level, which aligns gender with major human capital attributes, suggests that increased homophily along these dimensions following the deregulation will constrain women entrepreneurs' chances of recruiting co-founders with high-quality human capital.

To support these claims, I analyze 586 law firms founded by 2,572 lawyers in Korea between 2005 and 2014. Consistent with the argument on sequential homophily, I find that founding teams are more homogeneous in terms of gender, prior educational affiliation, and industry tenure after the deregulation. I also briefly demonstrate an increase in the level of gender segregation across founding teams after the deregulation; Increased gender homogeneity within teams results in an

uneven distribution of men and women across founding teams. Furthermore, I compare changes in founding team quality for men and women before and after the deregulation. Results suggest that the average level of human capital of women's co-founders decreased more than that of men's co-founders in terms of elite educational background and industry tenure.

This study offers three contributions to organizational theory. First, while prior studies have largely focused on the conditions of female entrepreneurial entry or factors that inhibit female entrepreneurial success, I shed light on the recruitment of co-founders as a source of gender disparity in entrepreneurial quality. I propose two mechanisms that jointly disadvantage women entrepreneurs, namely individual-level homophily and field-level constraints in founder demography. Second, I demonstrate that there is a sequential aspect of homophily by showing that demographic homogeneity in founding teams increases when the regulatory change relaxes the required number of co-founders to recruit. Third, I call attention to demographic constraints at the field level – the correlation between gender and human capital attributes – which inherently constrains the possible combinations of team demography. Along with these theoretical contributions, I conclude with an implication to public policy. The deregulation on founding team size intended to facilitate entrepreneurship, but it also led to gender disparity in founding team composition. Thus, both researchers and policymakers should pay close attention to how individual-level social processes and field-level structures may together cause market-oriented policies to have unintended societal consequences.

2. THEORY & HYPOTHESES

2.1. Homophily in Founding Teams

An inherent challenge in founding teams is the trade-off between similarity and diversity. According to Ruef et al. (2003), founding teams typically consist of members with similar characteristics such as gender, race, and occupation. This homophily principle in social networks (McPherson, Smith-Lovin, & Cook, 2001) facilitates familiarity and trust among team members. On the other hand, founding teams have a need for diversity in order to incorporate diverse perspectives, non-redundant social ties, and functional complementarity, all of which is likely to enhance a new venture's chances of success. I argue that homophily is likely to be a priority over functional diversity for founding teams of new ventures. Since founding a new firm inherently entails risk, trust among founding members is crucial. Trust comes from familiarity (Gulati, 1995), as in preexisting social or economic ties, and the formation of such ties are often based on similarity (McPherson et al., 2001). Indeed, prior research has found that homophily is a strong mechanism of founding team composition (Ruef, 2010; Ruef et al., 2003) and that new ventures tend to be more homogeneous than established organizations (Chen & Rider, 2016).

Homophily among co-founders is expected to be particularly evident in the empirical context of this study. This is because of the organizational form that most Korean law firms take. Two of the most distinct characteristics of this organizational form are 1) unanimous decision making, which requires all partner lawyers to agree on important issues of the law firm including addition of a partner, modification of the articles of incorporation, change of organizational form, merger, and dissolution and 2) unlimited liability, which burdens all partners with unlimited responsibility to

compensate for any damage involving a case handled by the law firm (Jung, 2010).

First, unanimous decision making likely requires effective communication, cooperation, and trust. As suggested by social categorization theory, lawyers that categorize each other in the same social category would be more likely to perceive each other as more honest, trustworthy, and cooperative (Sorensen, 2004). Second, a potential liability occurred by any one lawyer is to be shared by all partners: another lawyer's lack of capability can become my liability, which entails large financial and occupational risks (Shin, 2014). Studies on intergroup causal attribution argue that individuals tend to make internal attributions of success for ingroup members but of failure for outgroup members (Hewstone, 1990). Lawyers who are categorized into the outgroup by other lawyers in the firm would be especially subject to doubt or negative assessment of their capability as legal professionals. Thus, the two characteristics of the Korean law firm suggest that founding lawyers are likely to have a sense of "being in the same boat", leading to a high level of homophily in recruiting co-founders.

Although functional diversity within the firm may become more important as the firm grows and becomes more differentiated, I argue that at the founding stage of a new venture, the need for similarity and trust trumps the benefits of diversity. For law firm founders in particular, functional diversity among co-founders is likely to be a non-issue; while the aforementioned characteristics of Korean law firms ensure stable management of the firm and protection of clients, they are known to make it difficult for law firms to grow above a certain size, keeping them from pursuing specialization and economies of scale. Most recently established law firms work with individuals and small business clients rather than corporate clients. Since individuals and small businesses typically do not require complex tasks such as

M&As or project financing, there is limited differentiation within a firm in terms of legal practice area. Similarly, diversity in industry tenure is not as necessary because only complicated legal tasks require the leveraging of partner lawyers across multiple associate lawyers. Thus, although diverse information and knowledge are undeniably beneficial to any type of team or organization, founders of newly established law firms are more likely to prioritize a co-founder's trustworthiness over functional complementarity.

2.2. Sequential Homophily and Founding Team Homogeneity

Based on the previous discussion on homophily among co-founders, this study argues that deregulation on founding team size is likely to increase the level of founding team homogeneity. When looking for others to found a new venture with, founders are likely to exhibit sequential homophily in their choice of co-founders. In other words, founders will first recruit others that they consider are closest and most trustworthy; then, as they recruit more and more members of the founding team, similar ties are exhausted and additional members will consist of more distant or dissimilar others. Consequently, larger teams are likely to be composed of fewer similar ties than smaller ones.

Specifically, I hypothesize increased team homogeneity after the deregulation along four dimensions: gender, educational affiliation, industry background, and industry tenure. First of all, gender, as an ascribed characteristic that is socially salient, has been extensively studied as a dimension of homophily (McPherson et al., 2001; Ruef et al., 2003). Second, regarding educational affiliation, Rider (2012) found that educational affiliation leads to more co-employment of

individuals in the same organization as well as organizational co-investments. Third, industry background pertains to founders' previous occupation in the industry. Sharing the same occupation has been shown to induce homophily at a similar level of gender homophily (McPherson et al., 2001). Lastly, industry tenure homophily can be implied from prior research on the relationship between industry tenure similarity and organizational outcomes. Individuals with similar industry tenure have started out their careers in similar economic and industry situations and have experienced the same subsequent changes in the environment. In their study on increased demographic heterogeneity and organizational dissolution, Pennings & Wezel (2010) argued that organizational members with similar industry tenure will share common knowledge and mental models of the industry. Sorensen (1999) argued that similar tenure is linked to similar managerial capabilities, as managers who share past experiences will also share similar decision-making and cognitive frameworks. As individuals with similar industry tenure are likely to agree about the current industry environment and which strategies to employ, they will be more likely to become co-founders.

Thus, I argue that homogeneity in founding teams will increase along these four dimensions after the deregulation that decreases the minimum required founding team size.

Hypothesis 1a: Founding teams are more homogeneous in terms of gender after the deregulation.

Hypothesis 1b: Founding teams are more homogeneous in terms of educational affiliation after the deregulation.

Hypothesis 1c: Founding teams are more homogeneous in terms of industry

background after the deregulation.

Hypothesis 1d: Founding teams are more homogeneous in terms of industry tenure after the deregulation.

2.3. Field-level Constraint of Gender and Human Capital Attributes

Field-level correlation between gender and human capital attributes is an important factor in considering founding team composition as it characterizes the pool of potential co-founders. Reagans, Zuckerman, & McEvily (2004) considered this correlation of demographic characteristics as a limitation of the demographic-based approach in designing effective teams. This is what they referred to as “multiform homogeneity” (Blau, 1977) – the extent to which demographic characteristics are correlated such that membership in one implies membership in another. When demographic characteristics are not orthogonal in an organization, managers have limited discretion in determining the composition of such characteristics when assigning teams.

Likewise, founders in the Korean legal services industry may face a similar constraint due to the association between gender and human capital characteristics. Similar to many other countries, the recent influx of women lawyers in Korea coincided with the overall increase in lawyer supply. Because women only recently started to enter the Korean legal industry in substantial numbers, the pool of law firm founders exhibits an inevitable correlation between gender and major human capital attributes, including elite education, judicial experience, and industry tenure. First, there is an obvious negative correlation between female and industry tenure. Secondly, being female is negatively associated with elite education. Historically,

the extremely small quota for the passage of the judicial exam limited passers to be mostly from a small number of prestigious universities. Recently, however, the educational affiliation of lawyers has increasingly been diversified as the number of lawyers admitted to the bar each year has been increased. Third, being female is also negatively associated with prior judicial experience. While a disproportional number of women start their legal career as judges and prosecutors, female lawyers who are ex-judges and ex-prosecutors are very rare among law firm founders; judicial officers usually retire and become lawyers after 15~25 years on duty, meaning that the majority of women judicial officers are yet to reach this point of their career.

2.4. Gender Disparity in Entrepreneurial Quality

I conjecture that the field-level correlation between gender and major human capital attributes, along with increased gender homogeneity in founding teams, leads to increased disparity between the entrepreneurial quality of men and women founders after the deregulation on founding team size. If gender and other demographic characteristics were orthogonal in the pool of founders, increased homogeneity along any of these dimensions would not necessarily imply an increased gender gap in founding team quality. For example, if gender and elite educational background were not correlated in the pool of founders, increased gender homophily would not necessarily mean that male founders recruit more co-founders with elite education. However, if gender aligns with major human capital attributes, increased gender homophily implies a division of men and women along the important dimensions of law firm quality signals, such as elite education, prior judicial background and industry tenure. In other words, after the deregulation, the entrepreneurial quality of

female founders will be more undermined than that of male founders.

Hypothesis 2a: After the deregulation, the number of one's co-founders decreased more for women than men.

Hypothesis 2b: After the deregulation, the proportion of one's co-founders with elite educational background decreased more for women than men.

Hypothesis 2c: After the deregulation, the proportion of one's co-founders with prior judicial experience decreased more for women than men.

Hypothesis 2d: After the deregulation, the average industry tenure of one's co-founders decreased more for women than men.

3. METHODS

3.1. Empirical Background

3.1.1. Institutional Change in the Korean Legal Services Industry

This study utilizes the context of the Korean legal services industry that has gone through major market-oriented institutional changes over the last few decades. Historically, the industry has been a “small, elitist, and closed market” that systematically only produces few elite judges and prosecutors through an extremely rigorous national judicial exam (Kim, 2006; Park, 2009). This system hindered market competition while protecting the prestigious socio-economic status of legal professionals.

However, the reform first began in the 1990s by the Kim Young-Sam administration under the president's belief in “law as a service”. This slogan represents the institutional change of the legal services industry from a traditionally

state-oriented monopolistic profession to a market-oriented competitive arena. While the historical supply of legal professionals has been very limited, the quota of persons passing the judicial examination each year was raised from 300 to 500 in 1996, and then steadily increased to 1,000 by 2004 (Korean Bar Association, 2010). As a result, the number of lawyers has more than quadrupled over the last fifteen years. This increase intended to encourage market competition among lawyers to improve the quality of legal services and bring down prices.

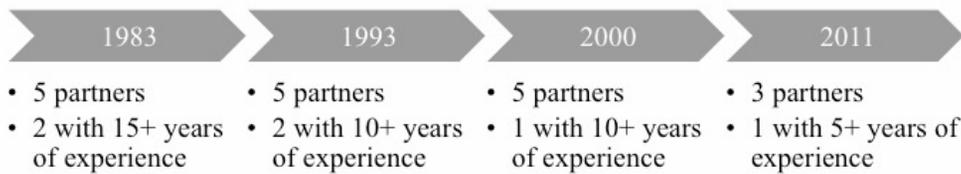
Recently, there has been an even further increase in lawyer supply through the adoption of American-style graduate-level law schools. Since 2012, the newly adopted law schools have produced almost 1,500 new legal professionals every year. With the introduction of law schools, the government is transforming the legal profession from a small group of social elites to a large pool of legal service providers from diverse backgrounds.

3.1.2. Deregulation on Law Firm Founding Team Size

The institutional change that this study focuses on is the deregulation on law firm founding teams. Article 45 (1) of the Attorney-at-Law Act regulates all law firms to meet a minimum requirement on the number of partner lawyers and their industry tenure, upon founding and later on. The minimum requirement has been relaxed several times throughout the past three decades (Figure 1). However, the most drastic change came with the last amendment on May 17, 2011 to absorb the large increase in the supply of lawyers. This change relaxed the minimum number of founding partner lawyers from five to three, and also the minimum industry tenure of at least one lawyer from ten to five years (Ministry of Justice, 2011). The deregulation significantly lowered the barrier to entrepreneurship, aiming to facilitate the

establishment of new law firms and enhance market competition. While founding team requirements restrict the selection of founding partners by enforcing certain conditions, the deregulation gave potential entrepreneurs more freedom as to what type of and how many social ties to utilize in their recruitment of co-founders.

FIGURE 1. Changes in Law Firm Founding Team Requirements



3.1.3. Women Lawyers in Korea

The recent increase of women in the Korean legal profession came with the overall increase in lawyer supply. Before the 1990s, entry of women was very limited. Dr. Lee Tai-Young, the first woman to pass the national judicial examination in 1951, remained as the one and only woman lawyer in the country until 1979 (Lee, 2009). Nowadays, women consist more than 15% of active lawyers and 40% of students admitted to law schools every year in Korea (Park et al., 2012). However, survey results suggest that discrimination against female lawyers still exists in law firms across multiple dimensions including hiring, promotion, and allocation of work (Yim 2012). Likewise, it is not surprising that currently there is no woman among the managing directors of top 15 domestic law firms (Shin, 2015). The lack of female partner lawyers in large law firms suggests the persistence of gender inequality in private practice. Perhaps much related to such challenges that women face in established law firms, there is sufficient evidence suggesting that large numbers of women are disproportionately entering the public sector as judges and prosecutors

(Park, 2013), preferring the more meritocratic and less discriminatory workplace. In relation to the current study, the difficulties that women face in established law firms imply the importance of women's opportunities to found a new law firm of their own.

3.2. Data

To empirically examine my arguments, I collected data on the founders of Korean law firms founded between 2005 and 2014. The initial sample consisted of 744 law firms whose establishments were listed in the notice section of the journal *Human Rights and Justice* published by the Korean Bar Association. Since all law firms are required to register to the Korean Bar Association, I believe that this sampling frame is essentially the entire population of newly established law firms during the sample period. Data on individual lawyers was collected from *Lawnb*, a Korean online legal information provider owned by Thomson Reuters. Exclusions of observations missing data on key variables resulted in a final sample of 586 founding teams consisting of 2,572 founders.

Before testing the hypotheses, I first examine gender differences in the human capital characteristics of law firm founders. Table 1 is a cross-tabulation of gender by each of the human capital attributes based on the sample of this study. Following Reagans et al. (2004), each cell in this table contains a frequency count and a standardized residual, assuming independence between gender and each human capital attribute. As can be seen, women are less likely than men to have an elite educational background or judicial background. Also, women are more likely to have industry tenure of less than 5 years, and less likely to have tenure of more than 10 years. On the other hand, men are significantly more likely to come from a

judicial background and have more than 10 years of tenure. The results show that men and women founders are significantly different with respect to these major human capital attributes. More specifically, being female is negatively correlated with major human capital attributes in the pool of law firm founders.

TABLE 1. Educational Background, Industry Background, and Industry Tenure by Gender

Gender	Educational background		Industry background		Industry tenure			Total N
	Elite	Non-elite	Judicial	Non-judicial	< 5 Years	5 - 10 Years	> 10 Years	
Female	51 (-3.4)	173 (2.6)	12 (-6.5)	212 (4.1)	136 (8.1)	53 (-0.1)	35 (-6.6)	224
Male	890 (1.1)	1,458 (-0.8)	719 (2.0)	1,629 (-1.3)	654 (-2.5)	565 (0.0)	1,129 (2.0)	2,348
Total N	941	1,631	731	1,841	790	618	1,164	2,572

*Values in cells are the frequencies in each category. Standardized residuals are in parentheses. Bolded characters indicate a standardized residual that is significant at the $p < .10$ level.

3.3. Measures

3.3.1. Dependent Variables

To measure *founding team homogeneity* based on each categorical variable, i.e., gender, educational affiliation, and industry background, I first construct the Herfindahl-Hirschman Index (HHI) for each as follows,

$$HHI = \sum_{k=1}^N p_k^2$$

where $k = 1, 2, 3, \dots, N$ denotes each category and p_k denotes the proportion of

team members in that category. There are only two categories for gender, i.e. male and female, and for industry background, i.e. former judicial officers and otherwise ($N = 2$). For university affiliation, N is the total number of universities that members of a team have graduated from. To account for the underlying composition of the pool of founders, I divide this HHI measure by the HHI of the total sample of founders in a given year, which results in the following measure for founding team homogeneity:

$$\text{Founding Team Homogeneity} = HHI_i / HHI_t$$

where HHI_i denotes the team-level homogeneity measure for team i and HHI_t denotes the yearly homogeneity measure of the founder pool in year t .

For founding team homogeneity in terms of industry tenure, I follow Hambrick, Cho, & Chen (1996) and use the standard deviation of the number of years since a founder has first been licensed to practice law. To transform a heterogeneity measure into a homogeneity measure, I use the inverse of the standard deviation after adding 1 to allow for the standard deviation to be zero. I did not use the coefficient of variation (the ratio of the standard deviation to the mean) because team average industry tenure is included as a control variable.

To measure the entrepreneurial quality for each founder, I computed the average human capital characteristics of each founder's co-founders (excluding oneself). For instance, *the number of co-founders* that a founder recruits is defined as founding team size minus one because this measure excludes the focal founder. *The proportion of co-founders with elite educational background* is the number of co-founders who graduated from Seoul National University divided by the total

number of co-founders. While it would be possible to create a continuous variable for educational prestige, the historical prominence of the law department of SNU along with the large number of founders from this university (36% of sample founders) suggests that graduation from this particular university is a marker of educational prestige. *The proportion of co-founders with prior judicial experience* is defined as the number of co-founders who are ex-judges or ex-prosecutors divided by the total number of co-founders. *Average industry tenure* is a straightforward mean industry tenure of founders in a team excluding the focal founder. To address the concern of auto-correlation between observations of founders in the same team, I use robust standard errors clustered by team in the regression model.

3.3.2. Independent Variables

For the first set of hypotheses predicting founding team homogeneity, the main independent variable is the *after deregulation* dummy that equals one if a law firm is founded after the deregulation, i.e. on or after May 17, 2011, and zero otherwise. For the second set of hypotheses regarding the entrepreneurial quality of men and women founders, the independent variable of interest is the interaction term between *after deregulation* and *female*, which equals one if the focal founder is female, and zero if male.

3.3.3. Control Variables

I included control variables to account for founding team characteristics and founder characteristics. *Team size* is the number of founders. *Location* accounts for two aspects of a newly founded firm's location: i) located in the capital city Seoul and ii) located in Seocho-gu, a prominent district in Seoul where "Seocho Legal Town" is

located. Approximately 30% of the nation's lawyers practice in this industry cluster (Korean Bar Association, 2010) because the supreme and district courts and prosecutor's offices are located here. As practicing in this area entails a high level of local competition along with benefits of being in an industry cluster, founding teams who choose to open their firm in this distinctive location may be qualitatively different from those who decide to go elsewhere. *Graduate education* is based on the final educational level of a lawyer, where LL.M., Master's, or Ph.D. degrees count as graduate level education. *Prior big firm lawyer* is based on prior employment at any of the top 13 law firms in Korea, whereas *prior in-house counsel* is based on prior employment at client environments including corporations, state-owned enterprises, and government institutions. *Prior solo practitioner* accounts for prior experience working alone at one's own law office as opposed to working at a law firm. For the first set of hypotheses, the control variables are the above variables at the founding team level, where the proportion or average is taken, while for the second set of hypotheses, the focal founder's characteristic is taken at the individual level.

3.4. Models

The first set of models predicts higher founding team homogeneity after the deregulation. Because the dependent variable is continuous, I estimated linear regression models using ordinary least squares with robust standard errors. Specifically, I estimate the following equation,

$$Homogeneity_i = \alpha_0 + \alpha_1 \cdot After_i + \alpha_2 \cdot X_i + \varepsilon_i$$

where $Homogeneity_i$ is the founding team homogeneity of team i in terms of each demographic characteristic – gender, prior educational affiliation, prior industry background, and industry tenure – given the field-level founder homogeneity in the year of founding. $After_i$ is a dummy variable set to one if the firm was founded after the deregulation, and zero otherwise. X_i is a vector of control variable covariates and ε_i is the error term. α_1 is the coefficient of interest, and I expect $\alpha_1 > 0$, indicating that team homogeneity is larger after the deregulation.

The second set of hypotheses predicts a larger decrease in entrepreneurial quality for women than for men after the deregulation. I estimated linear regression models using OLS with standard errors clustered by team. Here I examine how the gender disparity in founding team human capital characteristics differed in the periods before and after the deregulation. The equation is as follows:

$$\begin{aligned}
 & \textit{Entrepreneurial Quality}_j \\
 & = \beta_0 + \beta_1 \cdot \textit{After}_i + \beta_2 \cdot \textit{Female}_j + \beta_3 \cdot (\textit{After}_i \cdot \textit{Female}_j) \\
 & + \beta_4 \cdot C_i + \beta_5 \cdot D_j + \varepsilon_j
 \end{aligned}$$

$\textit{Entrepreneurial quality}_j$ is the average human capital quality of the co-founders that focal founder j has in the team, in terms of the number of co-founders, the proportion of co-founders with elite educational background, the proportion of co-founders with prior judicial experience, and the average industry tenure of co-founders. β_3 is the coefficient of particular interest. This estimates the change in the gender effect on the quality of one's co-founders. Thus, I expect $\beta_3 < 0$,

meaning that after the deregulation, women founders' entrepreneurial quality was more undermined than men's. The covariates C_i and D_j include controls for team i and individual j , respectively, and ϵ_j is the error term.

4. RESULTS

4.1. Founding Team Homogeneity

First, I predict that founding team homogeneity increases after the deregulation. Table 2 presents the descriptive statistics and correlations at the founding team level. The average team size is 4.97, reflecting the fact that most founding teams barely satisfied the minimum required team size. In fact, out of the 586 teams in the sample, approximately 74% of them only had the minimum required number of founders, both before and after the deregulation. The large number of teams with the minimum required size both before and after the deregulation lends support to the claim that founders tend to exhaust their close ties to fulfill the required number of co-founders.

Table 3 reports the effects of deregulation on founding team homogeneity with regard to each of the four demographic attributes. The first model for each dependent variable contains control variables only, and the second model also includes the dummy variable indicating before or after the deregulation. Model 2 shows that founding teams' gender homogeneity is significantly higher after than before deregulation, lending support to Hypothesis 1a. Model 4 demonstrates that team homogeneity regarding educational affiliation significantly increases after the deregulation, and thus Hypothesis 1b is supported. Model 6 indicates that, contrary to Hypothesis 1c, team homogeneity in terms of industry background does not show an increase. In fact, the coefficient is negative, albeit not statistically significant even

at the 10% significance level. A possible explanation is that ex-judges or ex-prosecutors who previously could not establish a law firm of five or more founders are able to do so after the deregulation, since they now only need two other co-founders, most possibly lawyers with lower tenure and with no judicial experience. Model 8 indicates that industry tenure homogeneity is significantly higher after the deregulation, supporting Hypothesis 1d. In Models 1-8, the largest variance inflation factor (VIF) is 2.04, which is well below the 10.0 benchmark. This indicates that multicollinearity is not a concern in the analyses.

TABLE 2. Descriptive Statistics and Correlations – Founding Team Level

Variable	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1. Team homogeneity - Gender	1.07	0.24	0.56	1.34																
2. Team homogeneity - Prior educational affiliation	2.89	1.50	0.75	8.45	0.17															
3. Team homogeneity - Prior industry background	1.25	0.33	0.74	1.87	-0.01	0.04														
4. Team homogeneity - Industry tenure	2.19	2.14	0.36	11.66	0.11	0.11	0.39													
5. Team size	4.97	4.38	3.00	67.00	-0.02	-0.17	-0.11	-0.10												
6. Location - Seoul	0.77	0.42	0.00	1.00	0.02	0.06	0.12	0.07	0.08											
7. Location - Seochon-gu	0.54	0.50	0.00	1.00	0.10	0.03	0.09	0.06	-0.10	0.59										
8. % Graduate education	0.36	0.28	0.00	1.00	-0.01	0.01	-0.04	-0.09	0.09	0.12	-0.01									
9. % Prior big firm lawyer	0.07	0.18	0.00	1.00	-0.05	0.13	-0.16	-0.07	0.28	0.20	0.01	0.12								
10. % Prior in-house counsel	0.08	0.16	0.00	1.00	-0.01	0.07	0.03	0.06	-0.02	0.12	0.05	0.04	0.08							
11. % Prior solo practitioner	0.18	0.26	0.00	1.00	0.14	0.14	-0.02	0.02	-0.10	-0.10	0.05	-0.08	-0.09	0.02						
12. % Prior judicial officer	0.24	0.26	0.00	1.00	0.08	-0.03	-0.65	-0.27	0.16	-0.15	-0.10	0.11	0.10	-0.08	0.05					
13. % Elite education	0.32	0.31	0.00	1.00	0.01	0.27	-0.19	-0.11	0.15	0.13	-0.04	0.10	0.27	0.13	-0.07	0.25				
14. Average industry tenure	10.83	6.21	1.00	49.00	0.15	0.04	-0.41	-0.34	0.21	0.00	-0.01	0.19	0.15	-0.05	0.05	0.68	0.26			
15. % Female	0.11	0.19	0.00	1.00	-0.72	0.00	0.10	0.06	-0.10	0.02	-0.03	-0.08	0.00	0.01	-0.01	-0.18	-0.10	-0.23		
16. After deregulation	0.51	0.50	0.00	1.00	0.15	0.43	0.04	0.19	-0.29	0.03	0.11	-0.09	-0.01	0.01	0.26	-0.15	-0.13	-0.10	0.19	

TABLE 3. Regression Analysis Predicting Founding Team Homogeneity

	OLS Regressions			
	Dependent Variable:			
	Founding team homogeneity regarding each attribute			
	Gender		Educational affiliation	
	(1)	(2)	(3)	(4)
After deregulation		0.07 ^{***}		1.24 ^{***}
		(0.02)		(0.12)
Team size	-0.00	0.00	-0.08 ^{***}	-0.04 ^{***}
	(0.00)	(0.00)	(0.02)	(0.01)
Location - Seoul	-0.01	-0.01	0.24	0.24
	(0.03)	(0.03)	(0.19)	(0.17)
Location - Seocho-gu	0.05 [*]	0.04 ⁺	-0.14	-0.23
	(0.02)	(0.02)	(0.16)	(0.14)
% Graduate education	-0.02	-0.01	-0.03	0.05
	(0.04)	(0.04)	(0.23)	(0.21)
% Prior big firm lawyer	-0.08	-0.10 ⁺	1.49 ^{***}	1.18 ^{**}
	(0.06)	(0.06)	(0.41)	(0.40)
% Prior in-house counsel	-0.01	-0.01	0.37	0.43
	(0.07)	(0.07)	(0.42)	(0.38)
% Prior solo practitioner	0.11 ^{**}	0.08 [*]	0.79 ^{**}	0.20
	(0.04)	(0.04)	(0.25)	(0.24)
% Prior judicial officer	-0.02	-0.01	-0.50	-0.16
	(0.05)	(0.05)	(0.34)	(0.32)
% Elite education	0.01	0.02		
	(0.03)	(0.03)		
Average industry tenure	0.01 ^{***}	0.01 ^{***}	0.03 ⁺	0.02
	(0.00)	(0.00)	(0.02)	(0.01)
% Female			-0.10	-0.62 [*]
			(0.29)	(0.29)
Constant	0.98 ^{***}	0.94 ^{***}	2.74 ^{***}	2.12 ^{***}
	(0.03)	(0.03)	(0.23)	(0.20)
Observations	586	586	586	586
R^2	0.06	0.07	0.09	0.23

Standard errors in parentheses. Robust standard errors.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

TABLE 3. (Continued.)

	OLS Regressions			
	Dependent Variable:			
	Founding team homogeneity regarding each attribute			
	Industry background		Industry tenure	
	(5)	(6)	(7)	(8)
After deregulation		-0.01 (0.03)		0.70 ^{***} (0.18)
Team size	0.00 (0.00)	0.00 (0.00)	-0.01 (0.01)	0.01 (0.01)
Location - Seoul	0.12 ^{**} (0.04)	0.12 ^{**} (0.04)	0.40 (0.24)	0.39 (0.24)
Location - Seocho-gu	0.00 (0.03)	0.00 (0.03)	-0.01 (0.21)	-0.05 (0.21)
% Graduate education	0.04 (0.05)	0.04 (0.05)	-0.20 (0.37)	-0.15 (0.36)
% Prior big firm lawyer	-0.23 ^{**} (0.08)	-0.22 ^{**} (0.08)	-0.26 (0.36)	-0.46 (0.36)
% Prior in-house counsel	0.03 (0.07)	0.03 (0.07)	0.52 (0.64)	0.54 (0.64)
% Prior solo practitioner	0.00 (0.05)	0.00 (0.05)	0.31 (0.38)	-0.02 (0.41)
% Prior judicial officer			-0.45 (0.52)	-0.27 (0.52)
% Elite education	-0.09 [*] (0.04)	-0.09 [*] (0.05)	-0.16 (0.31)	-0.08 (0.31)
Average industry tenure	-0.02 ^{***} (0.00)	-0.02 ^{***} (0.00)	-0.10 ^{***} (0.02)	-0.10 ^{***} (0.02)
% Female	0.01 (0.06)	0.01 (0.06)	-0.27 (0.58)	-0.56 (0.60)
Constant	1.40 ^{***} (0.05)	1.41 ^{***} (0.05)	3.20 ^{***} (0.33)	2.84 ^{***} (0.31)
Observations	586	586	586	586
R ²	0.21	0.21	0.13	0.15

Standard errors in parentheses. Robust standard errors.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

4.2. Gender Effect on Entrepreneurial Quality

Second, I predict that entrepreneurial quality in terms of founding team human capital decreases more for women founders as compared to men. Table 4 shows the descriptive statistics at the individual founder level. Mean team size is much larger than in the previous analysis because large teams are accounted for multiple times, once for each individual-level observation. Among the 2,572 founders, 224 (8.7%) are female and 2,348 (91.3%) male. Considering that approximately 15~20% of active lawyers in the country are women in the study period, only a small number of female lawyers opt for law firm founding as a career option.

Tables 5-8 show the results of the regression analyses predicting the level of human capital of the focal founder's group of co-founders. Across all models in Tables 5-8, the largest variance inflation factor (VIF) is 1.67, indicating that multicollinearity is not a concern in the analyses. While a better research design would match samples to ensure balance between founders before and after the deregulation, it would cause a reduction in sample size and also statistical power. Thus, in this study I report results on the sample without matching.

First of all, in Tables 6 and 7, the significantly negative coefficient of *after deregulation* indicates that overall, co-founders' elite educational background and judicial experience declined after the deregulation. Interestingly, as seen in Tables 6-8, female founders have co-founders that on average have significantly more elite education, judicial experience, and industry tenure. This result is not that surprising when considering the nuanced context of law firm founding in Korea. Given the field-level correlation that was previously discussed, women lawyers are more likely than men to have less elite education, lower tenure, and no judicial experience.

Because of this tendency, male lawyers with very high tenure often recruit such female lawyers as subordinate members of the founding team. Few women lawyers who do have elite educational backgrounds, on the other hand, may be less likely to be recruited by men from elite backgrounds due to lower perceived commitment to their career (Rivera & Tilcsik, 2016). Thus, on average, female lawyers would have co-founders with higher levels of human capital quality than male lawyers.

In the meanwhile, such recruitments of women lawyers as subordinates to high tenured male lawyers, who are likely to also be formal judicial officers, also has an implication to sequential homophily. Lower tenured women lawyers with no judicial experience are the most dissimilar co-founders that higher tenured men with judicial experience can find. Also, to such male founders, the characteristics of these female co-founders are not much different from associate level lawyers, who can be hired later on without having to include as a founding member. Therefore, the positive and significant coefficient of *female* may derive from the fact that female lawyers are among the last members to be recruited into the team to satisfy the regulatory requirement on team size. Thus, after the deregulation, these marginal recruitments of women will be less likely to happen – in other words, female lawyers would no longer be recruited as the fourth or fifth member.

This effect is actually shown in the coefficient of interest, that is, the interaction effect between *after deregulation* and *female*. This coefficient estimates the change in the gender gap of entrepreneurial quality. I expect that the coefficient is negative and statistically significant, indicating that after the deregulation, women lawyers' ability to recruit co-founders with high-quality human capital decreased more than men lawyers'. Hypotheses 2a-2d are tested in Model 3 in Tables 5-8, respectively. In Table 5, the coefficient of the interaction effect is positive yet not

significant, suggesting that the decrease in the number of co-founders did not differ significantly between men and women entrepreneurs. Thus, Hypothesis 2a is not supported. Table 6 shows that the proportion of co-founders with elite educational background has decreased further for female founders than male founders at the 1% significance level, supporting Hypothesis 2b. As seen in the previous set of analyses, founding teams are more homogeneous regarding educational affiliation after the deregulation. Given the high field-level correlation between female and non-elite educational background, we can interpret the result of Model 3 in Table 6 that increased homophily between founders who graduated from the same university led to greater segregation along the lines of both gender and educational background, resulting in a larger decrease in average elite education of co-founders for women than men. In Table 7, Hypothesis 2c was not supported since the coefficient of the interaction effect was statistically not significant although in the expected direction. This is in line with the previous result in Model 6 of Table 3, where industry background homogeneity did not increase after the deregulation. Lastly, Model 3 in Table 8 shows a negative and marginally significant interaction effect between *female* and *after deregulation*, providing support to Hypothesis 2d. In other words, while average co-founder industry tenure decreased for both men and women after the deregulation, this decline was bigger for female founders.

Additional examinations of control variables in Tables 5-8 suggest that there indeed is homophily present among co-founders. For example, in Table 6, a founder is likely to recruit more others with elite education when the focal founder him/herself is from an elite educational background. Likewise, in Tables 7-8, the focal founder's prior judicial experience and industry tenure is positively related to his/her co-founders' average judicial experience and industry tenure, respectively.

TABLE 4. Descriptive Statistics and Correlations – Individual Level

Variable	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1. No. of co-founders	7.88	12.53	1.00	65.00																
2. % Co-founders with elite educational background	0.36	0.32	0.00	1.00	0.30															
3. % Co-founders with prior judicial experience	0.28	0.29	0.00	1.00	0.31	0.32														
4. Co-founders' average industry tenure	12.04	6.99	0.00	54.00	0.42	0.36	0.71													
5. Team size	9.31	12.59	3.00	67.00	1.00	0.30	0.31	0.42												
6. Location - Seoul	0.81	0.39	0.00	1.00	0.18	0.18	-0.08	0.07	0.18											
7. Location - Seochogu	0.49	0.50	0.00	1.00	-0.22	-0.10	-0.13	-0.08	-0.22	0.48										
8. Elite education	0.37	0.48	0.00	1.00	0.20	0.33	0.12	0.14	0.20	0.12	-0.06									
9. Graduate education	0.39	0.49	0.00	1.00	0.10	0.05	0.03	0.06	0.10	0.08	-0.03	0.05								
10. Prior judicial officer	0.28	0.45	0.00	1.00	0.20	0.11	0.25	0.23	0.20	-0.05	-0.08	0.25	0.10							
11. Prior big firm lawyer	0.12	0.33	0.00	1.00	0.51	0.25	0.15	0.21	0.51	0.18	-0.07	0.23	0.09	0.12						
12. Prior in-house counsel	0.08	0.27	0.00	1.00	-0.03	0.05	-0.01	0.00	-0.03	0.05	0.02	0.03	0.02	-0.09	0.03					
13. Prior solo practitioner	0.16	0.37	0.00	1.00	-0.10	-0.08	0.01	-0.03	-0.10	-0.09	0.04	-0.04	-0.02	0.02	-0.09	0.01				
14. Industry tenure	12.26	10.21	0.00	58.00	0.28	0.14	0.25	0.33	0.28	0.05	-0.05	0.29	0.20	0.66	0.18	-0.08	0.03			
15. Female	0.09	0.28	0.00	1.00	-0.06	-0.01	-0.02	-0.04	-0.06	-0.01	-0.01	-0.09	-0.06	-0.16	-0.04	0.00	-0.02	-0.20		
16. After deregulation	0.37	0.48	0.00	1.00	-0.23	-0.18	-0.16	-0.13	-0.24	0.01	0.16	-0.11	-0.06	-0.09	-0.07	0.01	0.17	-0.07	0.08	

TABLE 5. Regression Analysis Predicting Number of Co-founders

OLS Regressions			
Dependent Variable: No. of co-founders			
	(1)	(2)	(3)
Location - Seoul	7.64 ^{***} (2.29)	7.45 ^{***} (2.17)	7.44 ^{***} (2.17)
Location - Seocho-gu	-7.40 ^{**} (2.75)	-6.80 ^{**} (2.53)	-6.79 ^{**} (2.53)
Elite education	0.04 (0.66)	-0.21 (0.71)	-0.21 (0.71)
Graduate education	-0.10 (0.43)	-0.23 (0.43)	-0.22 (0.42)
Prior judicial officer	0.67 (0.91)	0.43 (0.87)	0.42 (0.87)
Prior big firm lawyer	15.78 [*] (7.33)	15.69 [*] (7.12)	15.69 [*] (7.12)
Prior in-house counsel	-1.36 ⁺ (0.76)	-1.31 ⁺ (0.76)	-1.29 ⁺ (0.75)
Prior solo practitioner	-1.27 ^{**} (0.43)	-0.43 (0.46)	-0.44 (0.46)
Industry tenure	0.20 ^{**} (0.06)	0.20 ^{**} (0.06)	0.20 ^{**} (0.06)
Female	-0.29 (0.50)	0.21 (0.47)	-0.30 (0.87)
After deregulation		-3.92 ^{**} (1.38)	-4.01 ^{**} (1.44)
Female X After deregulation			1.04 (1.23)
Constant	1.17 ⁺ (0.66)	2.50 ^{**} (0.78)	2.54 ^{**} (0.79)
Observations	2572	2572	2572
R^2	0.38	0.40	0.40

Standard errors in parentheses. Standard errors clustered by team.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

**TABLE 6. Regression Analysis Predicting
Co-founders' Elite Educational Background**

OLS Regressions			
Dependent Variable: % Co-founders with elite educational background			
	(1)	(2)	(3)
Team size	0.00** (0.00)	0.00** (0.00)	0.00** (0.00)
Location - Seoul	0.13*** (0.03)	0.13*** (0.03)	0.13*** (0.03)
Location - Seocho-gu	-0.07* (0.03)	-0.07* (0.03)	-0.07* (0.03)
Elite education	0.17*** (0.02)	0.17*** (0.02)	0.17*** (0.02)
Graduate education	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)
Prior judicial officer	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
Prior big firm lawyer	0.06 (0.04)	0.07+ (0.04)	0.07 (0.04)
Prior in-house counsel	0.05* (0.02)	0.05* (0.02)	0.04+ (0.02)
Prior solo practitioner	-0.03 (0.02)	-0.01 (0.02)	-0.01 (0.02)
Industry tenure	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)
Female	0.03 (0.02)	0.04+ (0.02)	0.10** (0.03)
After deregulation		-0.06** (0.02)	-0.05* (0.02)
Female X After deregulation			-0.12** (0.05)
Constant	0.18*** (0.02)	0.20*** (0.03)	0.20*** (0.03)
Observations	2572	2572	2572
R ²	0.20	0.20	0.21

Standard errors in parentheses. Standard errors clustered by team.

+ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

**TABLE 7. Regression Analysis Predicting
Co-founders' Prior Judicial Experience**

OLS Regressions			
Dependent Variable: % Co-founders with prior judicial experience			
	(1)	(2)	(3)
Team size	0.01 ^{***} (0.00)	0.01 ^{***} (0.00)	0.01 ^{***} (0.00)
Location - Seoul	-0.10 ^{**} (0.03)	-0.10 ^{**} (0.03)	-0.10 ^{**} (0.03)
Location - Seocho-gu	0.01 (0.02)	0.01 (0.03)	0.01 (0.03)
Elite education	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
Graduate education	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Prior judicial officer	0.09 ^{***} (0.02)	0.08 ^{***} (0.02)	0.08 ^{***} (0.02)
Prior big firm lawyer	-0.01 (0.04)	-0.00 (0.04)	-0.00 (0.04)
Prior in-house counsel	0.03 (0.02)	0.03 (0.02)	0.03 (0.02)
Prior solo practitioner	0.02 (0.02)	0.03 (0.02)	0.03 (0.02)
Industry tenure	0.00 [*] (0.00)	0.00 [*] (0.00)	0.00 [*] (0.00)
Female	0.04 ⁺ (0.02)	0.04 [*] (0.02)	0.07 ^{**} (0.03)
After deregulation		-0.05 [*] (0.02)	-0.04 [*] (0.02)
Female X After deregulation			-0.05 (0.04)
Constant	0.23 ^{***} (0.02)	0.25 ^{***} (0.03)	0.24 ^{***} (0.03)
Observations	2572	2572	2572
R ²	0.16	0.16	0.17

Standard errors in parentheses. Standard errors clustered by team.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

TABLE 8. Regression Analysis Predicting Co-founders' Industry Tenure

OLS Regressions			
Dependent Variable: Co-founders' average industry tenure			
	(1)	(2)	(3)
Team size	0.21 ^{***} (0.04)	0.21 ^{***} (0.04)	0.21 ^{***} (0.04)
Location - Seoul	-0.27 (0.66)	-0.26 (0.66)	-0.25 (0.66)
Location - Seocho-gu	0.35 (0.64)	0.39 (0.65)	0.38 (0.65)
Elite education	0.09 (0.32)	0.06 (0.32)	0.06 (0.32)
Graduate education	-0.19 (0.28)	-0.20 (0.28)	-0.22 (0.28)
Prior judicial officer	0.27 (0.43)	0.24 (0.43)	0.24 (0.43)
Prior big firm lawyer	-0.47 (1.22)	-0.41 (1.23)	-0.42 (1.22)
Prior in-house counsel	0.68 (0.47)	0.68 (0.47)	0.64 (0.47)
Prior solo practitioner	-0.07 (0.37)	0.03 (0.37)	0.04 (0.37)
Industry tenure	0.15 ^{***} (0.03)	0.15 ^{***} (0.03)	0.16 ^{***} (0.03)
Female	0.77 ⁺ (0.46)	0.83 ⁺ (0.46)	1.65 ^{**} (0.60)
After deregulation		-0.47 (0.54)	-0.31 (0.56)
Female X After deregulation			-1.67 ⁺ (0.93)
Constant	8.17 ^{***} (0.55)	8.34 ^{***} (0.61)	8.28 ^{***} (0.61)
Observations	2572	2572	2572
R ²	0.23	0.23	0.23

Standard errors in parentheses. Standard errors clustered by team.

⁺ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

4.3. Additional Analysis on Field-Level Gender Segregation

In addition to testing the hypotheses, I demonstrate that field-level gender segregation increases after the deregulation on minimum founding team size. If sequential homophily increases gender homogeneity in founding teams following the deregulation, the aggregate result would be that men and women founders are more unevenly distributed across founding teams after the deregulation. In other words, because of increased gender homophily between co-founders, men and women founders will be more likely to be channeled into different founding teams.

Prior research has studied the determinants and consequences of gender segregation across occupations, organizations, and jobs (Bielby & Baron, 1986; Reskin, 1993; Reskin, McBrier, & Kmec, 1999). Gender segregation in the workplace is an important mechanism of gender inequality in the labor market because it channels men and women into different reward systems (Reskin, 1993). In particular, segregation across organizations influences both individuals and organizations; since organizational demography determines the type of social interactions in the workplace, it affects many outcomes such as individual-level turnover, job performance, and organization-level hiring practices and performance (Chen & Rider, 2016; Reskin et al., 1999).

Here I empirically examine the level of gender segregation before and after the deregulation. Following Chen & Rider (2016), I measure the level of gender segregation as follows. For each individual founder in the sample, I compute the percentage of female co-founders that the focal individual has in his or her founding team. I then average the percentage of female co-founders for all females (F) and for all males (M) for before and after the deregulation, respectively. The level of

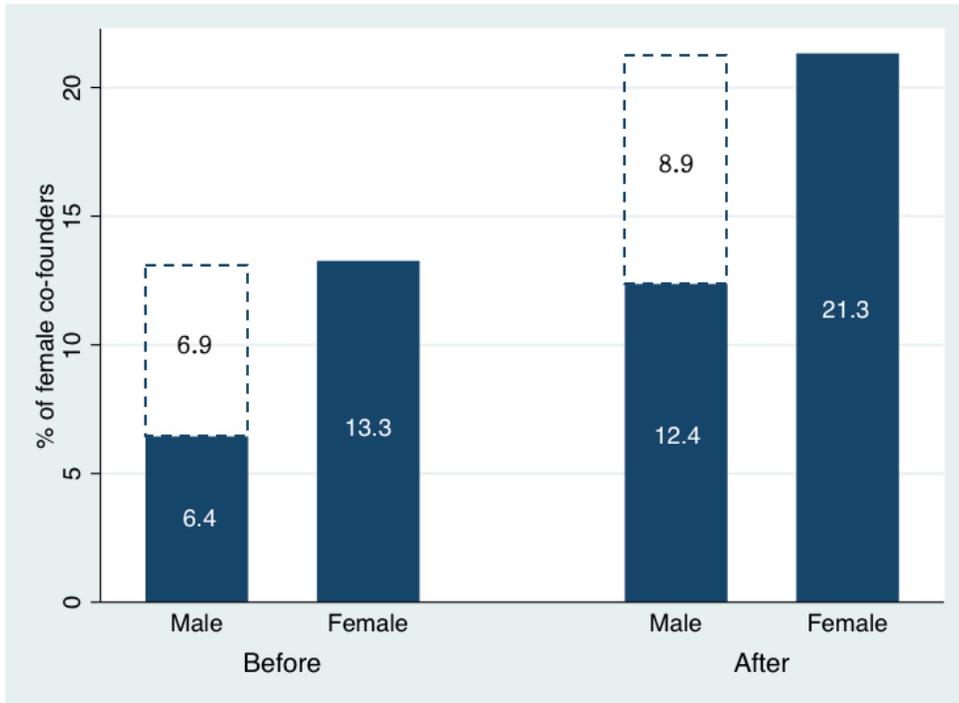
gender segregation for before and after the deregulation is measured by the gender difference as follows:

$$SG_{before} = F_{before} - M_{before} \text{ and } SG_{after} = F_{after} - M_{after}$$

This measure indicates the extent to which female founders are more likely than male founders to have other female co-founders in their founding team. A higher value indicates that men and women are more segregated at the field level.

Figure 2 compares the extent of gender segregation before and after the deregulation on founding team size. Before the deregulation, for female founders 13.3% of their co-founders were female, while for male founders this percentage was 6.4%, leading to a 6.9 percentage point difference. After the deregulation, however, this measure of gender segregation increased to 8.9 percentage points. In other words men and women in the pool of founders became more segregated after the deregulation.

**FIGURE 2. Gender Segregation among Founding Teams:
Before vs. After the Deregulation**



The level of gender segregation is measured by the difference between females' and males' average percentage of female co-founders in one's founding team. This indicates the extent to which female founders are more likely than male founders to have other female co-founders in their team. A higher value indicates that men and women are more segregated across founding teams. The figure above suggests that the level of gender segregation increased from 6.9 percentage points to 8.9 percentage points following the deregulation.

An implication is that the deregulation on founding team size, which originally intended to facilitate entrepreneurship, unintentionally increases field-level gender segregation. This follows Chen & Rider's (2016) finding that new venture founding is linked to workforce segregation at the community level, as new ventures tend to be more homogeneous than established organizations.

5. DISCUSSION

Overall, the findings suggest that founding team demographic homogeneity has mostly increased following the relaxation of required team size. I suggest the mechanism of sequential homophily, where founders first exhaust homophilous ties and increasingly rely on dissimilar others as more members need to be recruited. Thus, team homogeneity is larger when the minimum required team size is smaller. Also, the data shows that increased team-level gender homogeneity leads to a higher level of field-level gender segregation.

Furthermore, this increased homogeneity, along with the negative correlation between female and human capital characteristics at the field level, led to different results for men and women founders. While the overall quality of co-founders deteriorated for both men and women after the deregulation, this decrease was particularly larger for women founders. Thus, because gender is aligned with major human capital attributes, female founders were more disadvantaged from the deregulation than male founders.

The performance implication of this gender difference is not empirically tested in this paper, yet can be implied by the importance of the studied human capital attributes in the empirical context of the Korean legal industry. The three dimensions – elite educational background, prior judicial experience, and industry tenure – are all prominent quality signals that law firm clients rely on. This reliance comes from the high uncertainty about the quality of legal services and the information asymmetry between legal professionals and their clients, who are mainly individuals and small businesses for small law firms as in this study. Since it is hard to gauge the quality of legal services, clients often depend on quality markers such as educational

background. Moreover, prior judicial experience as a judge or prosecutor is a very important criterion of a lawyer in the Korean context. Former judicial officers are allegedly given favorable treatment by their former colleagues on the bench and in the prosecution, which has even led to a recent ban on former judges from working as private attorneys in their former jurisdictions for a year after retirement (Koo & Kim, 2011). Whether former judicial officers actually have such an advantage is a controversial issue, but it is undeniable that personal clients looking to hire a lawyer often rely on lawyers' prior judicial experience to gauge their probability of winning a lawsuit.

This study makes several contributions to prior organizational literature. First, it contributes to the literature on the gender gap in entrepreneurship. While prior studies have largely examined the antecedents of female entrepreneurial entry and the outcomes of women's ventures, I shed light on the process of recruiting co-founders, which can be seen as a step in between one's decision to become an entrepreneur and one's success as an entrepreneur. Thus, I present the quality of founding teams as a source of gender gap among entrepreneurs. More specifically, I propose homophily among co-founders as an origin of initial gender differences in entrepreneurial quality. Given the long-lasting impact of founding teams on firm performance, the discussion on founding team composition can have broader implications to gender differences in entrepreneurial success.

Second, the findings contribute to sociological research on social networks by showing the sequential aspect of homophily. Using the deregulation on team size, I demonstrate that the formation of co-founding ties may follow an order in which founders first recruit most similar others, and then sequentially recruit more dissimilar others. Although the actual sequence of recruitment is unobservable in the

data, the higher team homogeneity when a smaller number of co-founders are required implies such a sequence. Another contribution comes from the study's attention to field-level constraints resulting from the correlation among demographic characteristics. This multiform homogeneity (Blau, 1977; Reagans et al., 2004) at the higher level intrinsically bounds the possible combinations of team demography along consolidated dimensions. Therefore, future studies on homophily and tie formation should consider how different demographic characteristics overlap with each other at the population level.

Third, this study has policy implications that can be drawn from the unintended consequence of the deregulation. The results suggest that the deregulation on founding team size disadvantaged women compared to men in the process of finding co-founders. Although the institutional change intended to facilitate entrepreneurship and enhance market competition, it unintentionally resulted in relative disadvantage of an already disadvantaged minority group, namely women lawyers. While pro-competition policies are assumed to maximize efficiency from a neoclassical economics perspective, they may also bring unintended consequences because social actors are bound to preexisting social networks in which they are embedded (Granovetter, 1985). In other words, market-oriented deregulation that enables actors to freely choose fewer partners can result in increased embeddedness and homophily in the choice of partners. While embeddedness may benefit an individual or organization in their economic action, it may at the same time perpetuate preexisting socioeconomic inequalities. Thus, organizational research should pay attention to how individual- or firm-level strategic behavior can aggregate to produce unintended societal-level consequences.

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Sequential Homophily in Founding Teams and Gender Disparity in Entrepreneurship

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노동시장에서의 성 불평등에 대한 많은 기존 연구들이 기성 조직을 대상으로 한 반면, 최근에는 신생 조직을 대상으로 여성 창업의 선행요인과 그 결과에 대한 연구가 늘어나고 있다. 그러나 창업을 여성 혹은 남성이 혼자하는 경우는 드물며, 창업자가 누구와 창업팀을 구성하는가는 그의 성공을 좌우하는 중요한 요인이다. 따라서 본 연구는 신생 조직에서 성 불평등이 야기되는 하나의 요소로 창업팀의 인적 구성을 살펴본다. 본 연구는 국내 법무법인의 설립요건이 완화되기 이전과 이후를 비교하여 법무법인 최소 구성원 수에 대한 규제 완화가 창업팀 내의 동질성을 증가시켰음을 보인다. 이는 창업자가 자신과 좀더 동질적인 공동창업자부터 우선적으로 영입하는 유유상종의 순차적 특성(sequential homophily)에 기인한 것으로 분석한다. 특히 창업팀 내 성별 동질성의 증가는 결과적으로 전체 설립자들 간의 성별 분리(gender segregation)를 심화시켰음을 보인다. 또한 본 연구는 국내 법률산업 종사자들의 성별과 주요 인적자원 특성(출신대학, 경력년수, 판검사 경험 등) 간의 밀접한 연관성으로 인해 규제 완화 이후 여성이 남성에 비해 공동창업자들의 인적자본 수준에서 더 큰 감소세를 겪었음을 보인다. 실증 분석에는 2005년부터 2014년까지 국내에 설립된 586개 법무법인과 2,572명의 설립 변호사에 대한 데이터를 활용하였다.

주요어 : 유유상종, 창업, 창업팀, 성 불평등

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