6-7-2008

BACKED BY THE STATE: SOCIAL PROTECTION, SKILL INVESTMENTS, AND ENTREPRENEURIAL ENTRY INTO KNOWLEDGE-INTENSIVE INDUSTRIES (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss21/5

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SUMMARY

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Principal Topic

The sociological perspective on entrepreneurship emphasizes the social context in which individuals and their nascent firms exist. In this research, I focus more closely on two characteristics—state-sponsored social protection and individual investments in specific skills—to examine how prior experience shapes the entrepreneurial opportunities individuals pursue. To address the question of how experiences influence the entrepreneurial opportunities pursued, I test empirically if founders are more likely to start certain types of businesses based on the level of social protection available to them. Thus, I bridge two research streams – the organizational basis of entrepreneurship and the political role of social protection – to examine the types of businesses founders establish.

Methods

I test my predictions using the 2002 Global Entrepreneurship Monitor (GEM). I restrict my sample to the 17 OECD countries in the sample, amounting to 1,791 cases. My dependent variable is whether an individual starts a knowledge-intensive business or not. My primary independent variables are social protection measures from the OECD Social Expenditure database. I also include other country level controls, such as trade per GDP capita and individual level controls, such as gender, education, and labor market status. I employ multi-level logit models due to the nested structure of the data (individuals within countries).

Results and Implications

In our research, I examined the social conditions that influence founders as they start their new businesses. In particular, I focused on the proposition that founders will rely on their prior experiences when launching new businesses. I predicted that in countries with greater social protection, such as employment protection, unemployment protection, and active labor market policies, founders are more likely to start businesses in knowledge-intensive industries than in other industries. I found substantial support for this prediction. The probability of founders starting businesses in knowledge-intensive industries increased as the level of social protection increased. Thus, I contend that my results generally support the claim that state institutions can play an important role in coordinating and channeling individuals into certain types of entrepreneurial activities in the private sector.

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