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INTERACTIVE PAPER

HOW JOB EMBEDDEDNESS INFLUENCES NEW BUSINESS CREATION OF EMPLOYEE

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Principal Topic

More and more employees leave their current employment and create new business. Why some people find new jobs in other organizations, while others choose to start their own ventures. This study attempts to analyze employees' entrepreneurship decision from a perspective of job embeddedness.

Job embeddedness model established by Mitchell and Lee (2001) suggests that people leave their job based on three aspects which are influenced by elements both on the job and in the community: 1. The extent to which they are linked to other people and activities; 2. The extent to which they feel they fit in their organizations and communities; 3. What they would have to sacrifice if they left. These three dimensions are called link, fit, and sacrifice.

Meanwhile, numerous studies indicate that the work history and experience of the entrepreneur are crucial for entrepreneurial success (Bruno and Tyebjee, 1985; Hisrich and Peters, 2002; Ardichvili et al., 2003; Kim et al., 2006). It is suggested that work experience, social network, community environment, and opportunity cost embedded in job factors help employees recognize entrepreneurial opportunities, accesses to initial capital, transfer knowledge and accumulate managerial skills for new business.

Method

We identified 499 nascent entrepreneurs who has full-time work experience before from the survey data of the US Panel Study of Entrepreneurial Dynamics (PSED I) research program. The nascent entrepreneurs are divided into two groups – Same-industry group and New-industry group according to whether they had work experience in the industry which the employee intended to enter. Binary logistic regression and linear regression are used to test the hypotheses.

Results and Implications

Results suggest job embeddedness influences the probability of employee becoming an entrepreneur. Employees with high on-the-job embeddedness will be more likely to start up new ventures in the industry which they worked before. Moreover, Employee's on-the-job embeddedness has a positive association with the growth of new ventures.

In future, the theoretical structure proposed here can be extended by injecting the extent of job embeddedness and the mobility of job embeddedness.

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