ON THE DETERMINANTS OF ENTREPRENEURSHIP: IS IT WHO YOU ARE OR WHERE YOU ARE? SOME EMPIRICAL EVIDENCE FROM ITALY (INTERACTIVE PAPER)

Alexandra Dawson  
*Bocconi University*, alexandra.dawson@unibocconi.it

Giovanni Valentini  
*Bocconi University*

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Principal Topic

Previous literature has investigated the determinants of entrepreneurial activity focusing either on the external factors explaining the emergence of new firms or on the importance of personal traits. While both valuable, these perspectives have some shortcomings. The main shortcoming of the first approach is its failure to take into account personal characteristics of entrepreneurs and to consider changes in the sample over time, whilst the second approach has been criticised for using small samples and adopting cross-sectional methods. The aim of this paper is to contribute to the entrepreneurship literature by bringing together these two perspectives, taking into consideration both the contextual variables and the personal factors that may account for new business creation.

Method

We used two main data sources. First, the Italian data from the Global Entrepreneurship Monitor (GEM) survey (years 2003-2004). Second, several public statistical sources providing data on environmental factors (at regional level, including GDP, quality of infrastructures, public and private R&D expenditures).

We considered three different types of entrepreneurial activity (EA): (1) individuals setting up their own business, (2) individuals creating a new business on behalf of their employer, and (3) individuals investing in someone else’s idea. The propensity to engage in these activities was assessed using logistic regressions, assuming individual errors to be correlated within a region but not across regions.

Results and Implications

Overall, both individual-specific variables and environmental-specific variables seem to play a relevant role in shaping entrepreneurial behaviour. Yet there are significant differences across types of entrepreneurial activity. For example, while there is an inverted-U shape relationship between age and the first type of EA, the relationship is linear with the second type and there is no effect on the third. Regional public R&D expenditure is positively associated with the first type of EA, negatively related to the third, and has no significant effect on the second.

These results suggest that different types of EA should be considered separately in order to disentangle the effect of different factors both at individual and contextual level. Furthermore, our findings contribute to a better understanding of how public policies can foster different EAs by targeting the most appropriate factors.

CONTACT: Alexandra Dawson; ISEA Bocconi University, Viale Isonzo 23, 20135 Milan, Italy; (T): +390258362520; (F): +390258362530; alexandra.dawson@unibocconi.it