WHEN ARE ENTREPRENEURS INNOVATIVE? WHEN ARE INNOVATORS ENTREPRENEURIAL? (SUMMARY)

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Principal Topic

Kirzner (1997) and Shane and Venkataraman (2000) implied that opportunity discovery is solely regulated by the distribution of knowledge in social systems. We pursue a systematic analysis of how a prospective entrepreneur’s national context influences the innovativeness of his or her start-up attempts. We develop a theoretical framework that explicates the effect of formal institutions on the degree of innovativeness of new firm entries in a given country. Formal institutions represent institutions that are codified in laws and regulations — e.g., a country’s intellectual property protection regime (Scott, 2001). We propose that such institutions not only influence what individuals search and see, but also, how they react to what they see (e.g., Hwang & Powell, 2005; Thornton, 1998). Therefore, different institutional environments should produce differentially innovative entrepreneurs. In this paper, thus, we contribute to a better understanding of the link between entrepreneurship and innovation by focusing on the cross-level moderating effects of country-level institutional attributes on the innovative dispositions of entrepreneurs across countries.

Method

We combined GEM data set comprising over a million interviews from 63 countries spanning nine years (2000-2008) with external sources, such as the Heritage Foundation and World Bank data sets to analyse associations between national institutions and the innovativeness of entrepreneurs across countries. A multi-level outcome analysis was employed to estimate the national level institutional influence on the innovativeness of entrepreneurs across countries.

Results and Implications

We add insight by building and testing a theory that explicates the effect of national institutional conditions on how potential entrepreneurs react to opportunities. Specifically, we consider how different institutional environments may prompt individuals to either react differently to opportunities (selection effect) or behave differently when exposed to opportunities (behavioural effect). This research, thus, has important implications for policy, as this is one of the first studies to systematically examine the influence of context on how individuals react to opportunities. Our initial analysis suggests that the strength of the national intellectual property protection regime, as well as the country’s rule of law are significantly associated with the innovativeness of entrepreneurial behaviours when potential confounding influences are controlled for.

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