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THE MARKET FOR ENTREPRENEURS (SUMMARY)

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≈ SUMMARY ≈

THE MARKET FOR ENTREPRENEURS

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Principal Topic

The search for appropriate incentives to encourage entrepreneurship has involved much trial and error and policy experimentation and has helped spawn a substantive research domain investigating what factors determine the founding rates and survival of new firms. Research to date presents a valuable and diverse stream of inquiry but, for all its focus on supplying incentives, we do not yet have a clear picture of what potential entrepreneurs actually value most. In this paper we consider this market side of the policy equation. Our aim is to develop an understanding about what potential entrepreneurs value that - were they provided with it - would change their intentions about starting a new business.

Method

We use adaptive conjoint in order to estimate the perceived value of individual attributes and levels of resources within a differentiated basket of resources that might be useful to a new venture. Our instrument measures the utility of “soft” intangibles (like support and the source of funding) as well as “hard” tangible resources (personal income, office space, venture funding, health care and employment alternatives should the venture not work). We measure the impact of these resources on the intention to start a new venture.

Results and Implications

Among various tangible and intangible resources, support emerges as a central need. Among different kinds of support, entrepreneurial mentoring and advisement consistently tops the list and is worth about \$190,000 more to the entrepreneur than entrepreneurial networks provided by the local government. This raises interesting issues regarding how policymakers might encourage mentoring as well as how entrepreneurs and advisors might best be matched with one another. Additionally, we find that the perceived dollar values (based on dollar conversions of conjoint utilities) for different resources (for example health insurance and office space) are significantly different from the actual dollar values of these resources, thus presenting a potential arbitrage opportunity for policymakers.

Overall, we demonstrate the role “soft” and “hard” incentive mechanisms play in encouraging potential entrepreneurs to start new ventures. Our findings have several practical implications for policy makers as well as scholars researching the area.

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