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## THE INTERPLAY BETWEEN ENVIRONMENTAL NORMS AND VENTURE CAPITAL SUPPLY ON DRIVING ENTREPRENEURIAL ENTRY INTO THE CLEAN TECH SECTOR (SUMMARY)

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≈ SUMMARY ≈

**THE INTERPLAY BETWEEN ENVIRONMENTAL NORMS AND VENTURE CAPITAL SUPPLY ON DRIVING ENTREPRENEURIAL ENTRY INTO THE CLEAN TECH SECTOR**

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**Principal Topic**

The role of institutions in influencing entrepreneurship is a topic of interest to scholars using both sociological and economic perspectives (e.g. Aldrich & Fiol, 1994; North, 1990). However, extant studies have primarily focused on the effects of centralized economic and sociological institutions such as regulations (see Minniti, 2008 for a review) and social movements (e.g. Sine & Lee, 2009). In this study, we develop an integrative cross-institutional model that investigates the effects of *decentralized* institutions on entrepreneurial entry. In particular, we test whether the efficacy of venture capital availability in driving cleantech entry in a region is moderated by levels of environmental social norms. To do so, we create a unique state-level panel database merging data on cleantech entrepreneurial entry, cleantech venture investment, and environmental social norms. Our results suggest that decentralized economic and socio-cultural institutions have complex complementary effects.

**Method**

We compiled data from a number of secondary sources for our analysis. We used the *i3* database (<http://research.cleantech.com>) for firm-level information on startups, and state-level information on financing. Following prior research (Meek et al., 2010), we used the sensitive data files of the General Social Survey (GSS) to capture environmental social norms at the state-level. We also used data from the Department of Energy, Department of Commerce, the Census Bureau, and the Sierra Club for a range of control variables. We estimated Poisson models with state and year fixed effects in a panel design (Kennedy, 2003). We lagged all explanatory variables by one year relative to our dependent variable.

**Results and Implications**

Current results indicate that venture capital is more effective as a driver of entry in cleantech in regions where environmental social norms are at intermediate levels. We suggest that this is because at extreme norm levels there is high intersubjective agreement (see York & Venkataraman, 2010) among actors. However, when norms are at intermediate levels, intersubjective agreement is low, uncertainty exists, and entrepreneurial firms are more likely to exploit opportunities. Our findings contribute to entrepreneurship theory and practice by assessing the interactive impacts of decentralized institutions, both economic and socio-cultural, on cleantech entry and industry growth.

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