NECESSITY ENTREPRENEURS AND INDUSTRY CHOICE: UNEMPLOYMENT TO SELF-EMPLOYMENT TRANSITIONS DURING THE GREEK CRISIS (SUMMARY)

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NECESSITY ENTREPRENEURS AND INDUSTRY
CHOICE: UNEMPLOYMENT TO SELF-EMPLOYMENT
TRANSITIONS DURING THE GREEK CRISIS

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Principal Topic

Necessity entrepreneurship – the creation of firms out of unfavorable circumstances – is an increasingly important phenomenon due to the adverse labor market conditions stemming from the recent global crisis. Despite its importance, the existing literature has focused almost exclusively on opportunity-driven entrepreneurship. In this study, we set out to enhance knowledge of how the level of necessity experienced by a founder affects entrepreneurship. Specifically, we draw on organizational, sociological, and entrepreneurship theories to develop and empirically test a conceptual framework that predicts how, under the influence of increasing levels of necessity, a founder’s existing industry experience and the attractiveness of her home industry vis-à-vis external industries shape her industry choice and, thus, one of the most fundamental decisions in the creation of new organizations.

Methods

We assess our predictions by analyzing a dataset of 576 individuals who transitioned from unemployment to entrepreneurship in Greece, which we combine with secondary data we obtained from the Greek Statistical Office on industry-specific characteristics. We analyze this dataset by using maximum likelihood analysis to predict the likelihood that a founder will create a firm in her home industry.

Results and Implications

Our results reveal that the level of necessity experienced by an individual shapes the creation of new organizations in fundamental ways. Specifically, increasing necessity has a significant negative effect on the likelihood that an individual starts a firm in her home industry. We also find that necessity has an important moderating effect on how the founder’s prior industry-specific experience shapes industry choice, in that the positive effects of industry experience on the creation of firms in the home industry wane with increasing levels of necessity. A similar pattern emerges with respect to the relative attractiveness of external industries, albeit in slightly different ways. Although the likelihood that founders move away from their home industry increases as external industries become relatively more attractive, founders experiencing high levels of necessity will no longer react positively to relatively more attractive external opportunities. Our findings have implications for related literature on necessity entrepreneurship, organizations, strategic management and human capital, as well as public policy.

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