INDIVIDUAL AND COUNTRY-LEVEL DETERMINANTS OF GROWTH ASPIRATION IN NEW VENTURES (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

INDIVIDUAL AND COUNTRY-LEVEL DETERMINANTS OF GROWTH ASPIRATION IN NEW VENTURES

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Principal Topic

Received studies reveal significant differences in the level of entrepreneurial growth aspirations across countries (Autio, 2005; Autio, 2007). Not only does the level of self-employment activity vary, but also the level of growth aspiration varies significantly. At the individual level, a number of factors have been associated with high growth expectations in nascent and new entrepreneurial firms (Autio, 2007). However, these do not explain country-level variation in high-growth expectations.

In this study we examine country-level factors which moderate the effect of individual-level characteristics on entrepreneurial growth aspirations. Received theory suggests at least three country-level mechanisms that might impact the way with which individuals seek to exploit their human capital by starting growth-oriented entrepreneurial ventures. First, entrepreneurs can be seen as seeking to exploit their human capital through innovative, high-growth ventures. To do this, entrepreneurs must have reasonable confidence that their intellectual property rights will be respected. Second, entrepreneurs can be seen as weighing potential upside against risks. This upside may be taxed away, reducing the incentives for entrepreneurs to exploit their human capital through growth-oriented ventures. Third, entrepreneurs might be also seen as opportunistic individuals who adjust their goals to contextual cues. During times of economic growth, entrepreneurs endowed with high human capital would adjust their growth aspirations, in an effort to maximize their expected benefit from the entrepreneurial venture.

Method

We combine six years of data from the Global Entrepreneurship Monitor GEM survey to form an initial database of over 505 000 interviews. The individual-level data on entrepreneurial growth aspirations and its individual-level predictors (age, gender, education, employment status, household income) is complemented with country-level data on IPR protection, national fiscality, and GDP growth, taken from World Economic Freedom and Economic Freedom of the World datasets.

Cross-level (random-effects) moderation analysis is used to examine the hypotheses. This method enables the study of country-level growth slopes, and it has not been previously used in the analysis of GEM data.

Results and Implications

Our study enables us to ask relevant questions concerning country-level moderators of entrepreneurial growth drivers. These provide important implications for policy. A cross-level approach also enables us to ask hitherto unexplored questions that are of relevance for entrepreneurship theory.

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