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APPLYING THE KNOWLEDGE SPILLOVER THEORY OF ENTREPRENEURSHIP TO THE EMERGENCE OF KNOWLEDGE BASED ENTREPRENEURSHIP (SUMMARY)

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SUMMARY

APPLYING THE KNOWLEDGE SPILLOVER THEORY OF ENTREPRENEURSHIP TO THE EMERGENCE OF KNOWLEDGE BASED ENTREPRENEURSHIP

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Principal Topic

In this paper we study the evolution of knowledge-based entrepreneurship in Wales and Ireland. We explore how industrial policy choices influenced the nature, extent and evolution of knowledge-based entrepreneurship. Ireland and Wales offer a ‘natural experiment’ for exploring the impact of policy on the emergence of knowledge-based entrepreneurship because they both face resource constraints in seeking to develop knowledge-based entrepreneurship. In particular both Ireland and Wales are characterised by weak knowledge creating institutions; by an absence of a strong indigenous industry base; and by relatively low levels of indigenous R&D activity. However, there are what appear to be important differences in the policies pursued to create new knowledge, particularly those related to the attraction of inward Foreign Direct Investment (FDI). We expect these differences to have impacted on the evolution of knowledge-based entrepreneurship.

Method

We present case studies of Ireland and Wales using government statistics, to measure knowledge creation activities, and the Global Entrepreneurship Monitor (GEM) datasets for 2003-2004, to develop measures of knowledge intensive entrepreneurial activity. In the cases we compare key measures of knowledge creating activity, FDI activity, and entrepreneurial activity. We use the GEM dataset to estimate the extent of knowledge-based entrepreneurship in Ireland and Wales. We outline the different policies pursued in Ireland and Wales with regard to FDI and entrepreneurship, and in particular knowledge-based entrepreneurship.

Results and Implications

The results indicate differences in the nature and extent of knowledge-based entrepreneurship in Ireland and Wales. In Ireland, relative to Wales, there is a higher level of entrepreneurial activity in high and medium-high technology manufacturing sectors. In Ireland there appears to be a positive correlation between the sectors FDI is concentrated in and subsequent entrepreneurial activity. In contrast, in Wales the opposite appears to be the case. Implications include demonstrating how FDI can be part of entrepreneurship development policy. We suggest future possible policy directions for countries that are characterized by weak knowledge creating institutions but wish to encourage knowledge-based entrepreneurship.

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