INDIVIDUAL, ORGANIZATIONAL AND ENVIRONMENTAL DRIVERS OF JOB CREATION IN NEW FIRMS (SUMMARY)

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SUMMARY

INDIVIDUAL, ORGANIZATIONAL AND ENVIRONMENTAL DRIVERS OF JOB CREATION IN NEW FIRMS

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Principal Topic

Little is known about the factors that drive a founder’s ability to generate employment for others. In this paper, we develop and test a theoretical framework to investigate the multi-level causal factors promoting job creation (that is, generating employment for individuals in addition to the founder) in start-up firms. In developing our framework, we consider the individual (human capital), organizational, and environmental factors that contribute to job creation in newly founded firms. We also examine how these factors differentially impact the creation of jobs that carry different benefits and promises of continued employment (and thus have a higher quality) relative to those that do not.

Method

We draw on a data set which is derived from a sample of the 2001 cohort of entrepreneurs in the region of Munich Germany, who received government assistance to support their transition from unemployment to entrepreneurship (n=456, response rate of 24.1%). This sample offers a relatively conservative setting for testing theoretical predictions on the individual, organizational, and environmental drivers of job creation in new firms. One might expect firms founded by the unemployed to be weaker job creators than the average new firm.

Because we are interested not only in the quantity of jobs created in newly founded firms, but also in their quality, our main dependent measures capture the total employment count in the newly founded firm in a given year weighted by the type of job, and employment counts for different types of jobs. We chose to use the negative binomial model to estimate the count measures.

Results and Implications

Three key findings arise from our analyses. First, human capital that is specific to the self-employment activity has a positive and significant effect on job creation. Second, organizational and environmental factors, particularly those related to risk in the new business venture, limit the ability of founders to create employment for others. Third, we reveal systematic differences in the drivers that lead to the creation of different types of jobs.

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