6-11-2011

BUSINESS TAKEOVER OR NEW VENTURE START? INDIVIDUAL AND ENVIRONMENTAL DETERMINANTS FROM A CROSS-COUNTRY STUDY (SUMMARY)

Roy Thurik
Erasmus University Rotterdam & EIM Business and Policy Research

Peter van der Zwan
Erasmus School of Economics, vanderzwan@ese.eur.nl

Recommended Citation
Thurik, Roy and van der Zwan, Peter (2011) "BUSINESS TAKEOVER OR NEW VENTURE START? INDIVIDUAL AND ENVIRONMENTAL DETERMINANTS FROM A CROSS-COUNTRY STUDY (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 31: Iss. 18, Article 3.
Available at: http://digitalknowledge.babson.edu/fer/vol31/iss18/3

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
Principal Topic
There are multiple ways to become an entrepreneur such as starting a new firm or taking over an existing one. The literature to date has largely been silent about the determinants of the preferred mode of entry. This paper attempts to fill this research gap. We argue that an individual’s personality characteristics such as growth ambition, risk attitude and inventiveness influence the preferred mode of entry intro entrepreneurship. Starting a firm from scratch can be considered as more entrepreneurial, exciting, complex, and risky than taking over an existing business with an already well-developed business model and existing customers. Environmental factors such as the administrative difficulty to set up a new venture also play important roles in the mode of entry decision. In addition, some countries like Japan or South Korea are known for their ‘no failure’ culture, which presumably discourages individuals from setting up a new business rather than taking over an existing one.

Method

We make use of the 2009 Flash Eurobarometer Survey on Entrepreneurship of the European Commission which covers all 27 Member States of the European Union (EU), Croatia, Iceland, Norway, Switzerland, Turkey, the United States, China, Japan and South Korea. An individual’s preference for taking over an existing business relative to starting a new one is captured by the following question: “If you currently had the means to start your own business, including sufficient funding, would you rather set up a new one or take over an existing one?” Binary logit models are used to assess the influence of individual and environmental determinants on the preferred mode of entry (takeover versus starting from scratch).

Results and Implications

Results reveal that not only age and education predict the preferred mode of entry, but that also a person’s risk attitude and inventiveness are distinguishing factors. Especially in Japan and South Korea and in some European transition countries, taking over is preferred to starting from scratch. A country’s culture in terms of risk taking propensity or stigmatization of failure is likely to play an important role. This study is relevant for policy-makers. Several policy documents stress the importance of the takeover option and emphasize that the business transfer environment should be improved by raising awareness and removing obstacles.

CONTACT: Peter van der Zwan; vanderzwan@ese.eur.nl; (T): +31104081727; (F): +31104089141; Department of Applied Economics, Erasmus School of Economics, Erasmus University Rotterdam, P.O. Box 1738, 3000 DR, Rotterdam, The Netherlands.