THE RELATIONSHIP BETWEEN SMALL AND LARGE FIRM EFFECT AND ENTREPRENEURIAL SPAWNING: A META-ANALYTICAL REVIEW (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE RELATIONSHIP BETWEEN SMALL AND LARGE FIRM EFFECT AND ENTREPRENEURIAL SPAWNING: A META-ANALYTICAL REVIEW

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Principal Topic

Most entrepreneurs have a large amount of prior employment experience (Cooper, 1985; Cooper & Dunkelberg, 1986; Robinson & Sexton, 1994), and many potential entrepreneurs identify entrepreneurial opportunities from their previous job (Cooper et al., 1990). The phenomenon is called entrepreneurial spawning, which refers to a process that an existing firm generates a new firm established by one or more employees who departed from the existing firm (Habib et al., 2011). However, scholarly effort to provide comprehensive meta-analytic reviews on this topic has received relatively little attention from entrepreneurship scholars.

This paper aims to identify the effect of firms where entrepreneurs previously work on those who leave organizations and start their own ventures. We aim to investigate the influence of following three effects on entrepreneurial spawning: (1) incumbent firms’ characteristics; (2) entrepreneurs’ prior work experience gained from incumbent firms; and (3) environment characteristics that incumbent firms reside in. In addition, small firms and large firms may differentially influence entrepreneurial spawning. We thus investigate how firm size moderates these relationships respectively.

Method

Meta-analysis is one of the most important tools for advancing science and evidence-based management. We perform the psychometric meta-analysis by following the approaches developed by Hunter and Schmidt (2004) to synthesize study findings. We conducted a literature search in various databases and in major journals and conference proceedings in management and entrepreneurship area. We searched the key words, such as entrepreneurial spawning, spin out, small firm effect.

Results and Implications

We found some positive relationships, such as entrepreneurial spawning and incumbent location and scope, entrepreneurial spawning and entrepreneurial rate, and entrepreneurial spawning and entrepreneurs’ prior working status. We also identified negative relationships, such as entrepreneurial spawning and entrepreneurs’ prior tenure in incumbent firms. Firm size moderates these relationships. As compared to large corporations, small firms evidently spawn more entrepreneurs. Our results concerning the comparison between small and large firm effects help potential entrepreneurs to recognize where to work before they transit into self-employment. Our results also provide implications for firms regarding how to retain employees or encourage entrepreneurship.

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