EXPLAINING NEW FIRM CREATION IN EUROPE – A MULTI-LEVEL ANALYSIS BASED UPON DATA OF INDIVIDUALS, REGIONS, AND COUNTRIES (INTERACTIVE PAPER)

Christian Hundt
Ruhr-Universität Bochum, christian.hundt@rub.de

Rolf Sternberg
Leibniz Universität Hannover

Recommended Citation
Hundt, Christian and Sternberg, Rolf (2013) "EXPLAINING NEW FIRM CREATION IN EUROPE – A MULTI-LEVEL ANALYSIS BASED UPON DATA OF INDIVIDUALS, REGIONS, AND COUNTRIES (INTERACTIVE PAPER)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 14 , Article 15.
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss14/15
The overall aim of our study is to improve the understanding of the complex forces underpinning new firm formation. For this purpose, we integrate two so far unrelated research perspectives into one holistic framework, namely the hierarchical structure of entrepreneurship determinants on the one hand and process-related aspects of new business creation on the other. Building on Giddens’ structuration theory (1984), the hierarchical analysis considers individual characteristics as well as regional and national context factors as determinants. With respect to the dependent variables, we follow a process perspective of entrepreneurship and distinguish between three phases of new firm creation and between general and ambitious entrepreneurship.

Method

Adequate data both to model several spatial scales of analysis and three phases within the entrepreneurial process stems from the Global Entrepreneurship Monitor (GEM, see Reynolds et al. 2005). In order to investigate the hierarchical order as well as the process-related influence of entrepreneurship determinants, we combine individual-level GEM data (300,000 cases) with regional-level data (105 subnational regions) and with national-level data (15 European countries). Subsequently, we calculate binary logistic multilevel regressions to test our hypotheses (e.g., Hox 2002, Snijders/Bosker 2004).

Results and Implications

The results of the multi-level regressions reveal that, first, the regional and the national environment contribute significantly to explaining new firm creation. In fact, both scales prove to be statistically relevant in addition to the individual level, which is why they can be regarded as two autonomous dimensions. Second, the individual characteristics have the greatest overall influence, which ascertains empirical evidence for the crucial role of the individual in any start-up process. Third, the results show statistically significant cross-level interactions between context indicators and the individual level. Thereby, we clearly confirm one of the most central assumptions of Giddens’ structuration theory (1984), wherein the individual micro and contextual macro levels are not isolated but interrelated dimensions. Fourth, the influential factors of all three levels vary with respect to the phases of new firm formation as well as between different types of start-ups. Hence, as suggested by Ajzen’s (1991) ‘Theory of Planned Behaviour’, it becomes more difficult to exert control over an entrepreneurial action as market entry approaches and as entrepreneurial growth intentions become more ambitious.

CONTACT: Christian Hundt; christian.hundt@rub.de; (T): +49 234 32 23355; (F): +49 234 32 14885; Geography Department: Urban and Regional Economics, Room NA5/166, Ruhr-Universität Bochum, Universitätsstraße 150, 44780 Bochum (Germany).