

RESEARCHING ENTREPRENEURSHIP

by
Per Davidsson

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Researching Entrepreneurship

INTERNATIONAL STUDIES IN ENTREPRENEURSHIP

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BEFORE WE BEGIN...

This is a methods book. Sort of. Why did I write such a book? Well, it is not going to become the most spectacular case study in successful entrepreneurship, that's for sure! Despite the tremendous growth the field of entrepreneurship research has enjoyed since I entered it in the mid 1980s, the world market for a book by the title "Researching Entrepreneurship" is so limited that one can guarantee that it won't make its author rich. The upside of that is that you can trust it is an honest book. I write it because I want to share my experiences and not with the intent to maximize profits; hence I do not have to compromise with my convictions in order to reach my goals.

Although the market may be limited, I think there is a need for a book of this kind in that niche. There is not only growth but also progress in entrepreneurship research. However, it would be pointless to deny that there is also confusion and widespread frustration in the entrepreneurship research community, and a feeling that the field has not advanced as much as it should. For example, although entrepreneurship research has developed both conceptually and empirically, those advancements have not always gone hand in hand. One thing I try to achieve in this book is to spell out some of the implications the conceptualization of entrepreneurship has for empirical design and analysis.

I thus think there may be a need for a book of this kind. One of my doctoral students also made me realize that I was one out of relatively few people who could (and fewer still who would) write such a book. Although this insight makes me feel terribly old (Hey, I'm just 46!), there are actually relatively few people who have been in the field for close to twenty years, or who have been involved in a double-digit number of comprehensive empirical studies on entrepreneurship. I also came to realize that writing a method book—of sorts—on entrepreneurship research was within relatively easy reach for me because I have already written more than a dozen papers or manuscript (sub-)sections with method reflections and attempts to codify the method experiences gained through intense empirical work, from the early pamphlet (and keynote address) *Entrepreneurship Research: How Do We Get Further* (Davidsson, 1992)—which gives voice to frustrations and experiences during my years as doctoral student in this young and not so high-standing field in the late 1980s—to the recent *The Domain of Entrepreneurship Research: Some Suggestions* (Davidsson, 2003a), which in many ways is a direct forerunner to the present volume. Now, as the work proceeded I brought to mind more and more old manuscripts, and came to think of additional method issues for which I could (or previously had tried to) codify the tacit knowledge that I had accumulated over time. So, in the end the task wasn't within as easy reach as I originally thought.

For whom is this book intended? Doctoral programs and courses focusing on entrepreneurship and entrepreneurship research are obvious primary targets. The book is not intended to substitute more general method textbooks, though, but supplement them by adding "entrepreneurship research meaning" to more general expositions, and add details that standard textbooks do not cover. I hope that my book also will help established researchers who visit or migrate into the field of entrepreneurship research to see research opportunities and to avoid repeating mistakes that other entrepreneurship researchers and I have made already. If I am successful, this category will find useful information herein which is otherwise hard to find or takes years of own practice to gain. Colleagues among long established entrepreneurship researchers are also a target group. Although this group collectively has much more to teach me than I have to offer them, and although they obviously already have the method knowledge and insights they need to continue

their careers, I hope this book can give some colleagues advice and inspiration that help them refresh and perfect their research agendas.

In some chapters and sections, I treat topics that are of relevance for social science research in general or at least well outside of the narrow topic of entrepreneurship study. I do this because I think these topics are typically less well treated in standard method textbooks, and often lack coverage in social science research education. For example, this goes for the reasoning on empirical and theoretical representativeness as well as and the related statistical inference and replication issues in chapters 5 and 9; some of the general operationalization issues in the early parts of 6, and the problems and solutions involved in working with secondary data covered in Chapter 7. Although I realize that it is unlikely to happen in a big way, I hope that these sections will find (satisfied) readers also outside of the small, albeit growing, camp of entrepreneurship researchers and research students.

This book does not give anything near a complete and balanced coverage of all types of research approaches, methods, or techniques. Like I already said, it is intended to supplement rather than substitute more general method texts. The contents are admittedly and deliberately colored by my own specific experiences and expertise. My dissertation study *Continued Entrepreneurship and Small Firm Growth* (Davidsson, 1989a, 1989b; 1991) was based on a cross-sectional phone+mail survey of small business owner managers, and the study *Culture and Entrepreneurship* (Davidsson, 1993; 1995a; 1995c; Davidsson & Delmar, 1992) used cross-sectional mail survey directed at the general population. There is nothing unique about that; published research in entrepreneurship is dominated by cross-sectional (mail) surveys. I can claim more unique insights when it comes to longitudinal, repeated survey (panel) studies, using a combination of phone and mail data collection methods. This is through my involvement with the *Panel Study of Entrepreneurial Dynamics*, or PSED (Gartner, Shaver, Carter & Reynolds, 2004; Reynolds, 2000) and as one of the principal investigators in its Swedish sister project (Davidsson & Honig, 2003; Delmar & Davidsson, 2000); through the project *The 1994 Start-up Cohort* (Dahlqvist, Davidsson & Wiklund, 2000) and its derivative project *New Internal Ventures* (Chandler, Dahlqvist & Davidsson, 2003), and as regards corporate entrepreneurship also through the project *Entrepreneurship in Different Organizational Contexts* (Brown, Davidsson & Wiklund, 2001; Wiklund, Eliasson & Davidsson, 2002). I have also acted as supervisor for doctoral students using yet other comprehensive, longitudinal survey studies.

Likewise, I can claim extensive experience from research based on comprehensive, longitudinal, secondary data sets from the projects *Business Dynamics in Sweden* (Davidsson, Lindmark & Olofsson, 1994a, 1994b, 1995, 1996, 1998a, 1998b) and *High Growth Firms 1987-1996* (Davidsson & Delmar, 2003; Davidsson & Henreksson, 2002; Davidsson, Kirchoff, Hatemi-J & Gustavsson, 2002; Delmar, Davidsson & Gartner, 2003). I have much more limited experience from experimental or quasi-experimental research (Davidsson, 1986; Davidsson & Wahlund, 1992) and I have not used qualitative techniques for data collection and analysis since the pilot study for my dissertation project (Davidsson, 1986), although I have co-supervised several Ph.D. students applying such methods.

The experiences shared in this book thus build mainly on insights from longitudinal, quantitative data from custom-designed surveys or from secondary sources. This does not reflect the view that such approaches are necessarily "better" for all purposes. In fact, some of my favorite references in entrepreneurship build on completely different approaches; often more qualitative (Bhave, 1994; McGrath, 1999; Sarasvathy, 1999a, 2001; Shane, 2000). However, it is when it comes to broadly based, quantitative approaches that I can claim some level of expertise, and it is therefore that type of approach that will dominate this book. I hope this will not make those who think quantitative methods are not their cup of tea close the book

and put it away at this stage already. Critique is often more interesting and useful when it comes from somebody who has deep knowledge of the critiqued, and the reader shall find that there is no shortage in this book of direct and indirect critique of some research practices that are common among researchers who use quantitative approaches. I fully agree with those who think that research is dull when it consists of taking an existing data set as it is, running a few regressions, and determining which relationships are statistically significant or not—period. Luckily, good quantitative work consists mainly of intellectual challenges that are far greater and more intriguing than that, when it comes to research design and interpretation of results.

You will not find a lot of philosophy of science arguments or references in this book. Let me tell you a secret: philosophers of science often do not know much about conducting empirical research—they simply don't have that experience and expertise. They can therefore not advise you on many of the issues dealt with in this book. In an ideal world, the author of a book like this should have both kinds of expertise—philosophies of science and deep empirical research practice. Unfortunately, I stay far short of being an expert on philosophies of science. But I'm not completely ignorant, nor do I think philosophy of science issues are unimportant. Reflection upon the foundations of knowledge production is critically important, and admittedly lacking in a lot of research of "my" kind.

However, I do not believe in having a *faith* when it comes to philosophy of science. I can think of no more narrow-minded and unacademic attitude than thinking that "all the good guys think like us" or "our approach is the best". So I tend to be an eclectic (or *pragmatic*) skeptic, accepting and refuting arguments from several camps. Early in my career, Scandinavian colleagues would equate my revealed preference for quantitative data with a *positivist* philosophy of science. And, for sure, there is some positivist heritage in the kind of work that I do. However reading descriptions of positivism vs. hermeneutics (popular in the late 1980s) I could easily see that the research process I had been through in my dissertation work had—with its wrestling back and forth between theory and data—much more semblance with a *hermeneutic* and *abductive* (no aliens involved, though!) research process than a positivist or *hypothetico-deductive* one. And reading August Comte in (translated) original made me less than impressed. If he could read my work he would be equally unimpressed, since I deviate so much from true positivist ideals. No, quantitative data don't make you a positivist; nor do qualitative data make you a social constructionist or your approach hermeneutic. Let's face it: data don't know how they are going to be used!

For certain purposes, like gender issues in organizations, I think *social constructionism* is highly useful and illuminating. But I am not a constructionist. When it becomes a nihilist faith or leads to denial of the obvious (for example, that real differences between male and female bodies exist and have real effects), I find the perspective just boring, cowardly, or outright stupid. Although I do not find it totally convincing in terms of logical coherence, *scientific realism* is probably the school of thought that comes closest to the practically workable middle ground that I find most useful for guiding empirical research.

Method textbooks tend to be used rather than read. One reason for this is that they are often written in such a way that reading them is, should we say, less than enjoyable. Especially when the reader is an already established researcher I have no difficulty with this book being used in parts, by looking up specific issues one at a time. However, I would also like it to be a bearable experience to read it from cover to cover. Therefore, while hopefully retaining enough seriousness and credibility, I will try to refrain from dull academic jargon and unnecessarily heavy style. I will also spice up the exposition with numerous examples and actual research results, some of which have not been published before.

Many people and organizations have contributed to this book. Far too many, in fact, for it to be possible to mention them all individually. A multitude of organizations, the single most important being the *Knut & Alice Wallenberg Foundation*, have funded the research on which the book builds. Several employers have been kind and clever enough to allow me considerable time to do research rather than having me do things I am less apt for—although heading a department of 40+ people for the last couple of years almost made this book never happen. Many colleagues have inspired, criticized and, in other ways, contributed to this work. A collective that I have to mention here is the researchers and administrators within and affiliated with the *Program on Entrepreneurship and Growth in Small and Medium-sized Firms* (PEG), which I have had the pleasure of leading during the last few years. I would also like to single out and especially thank *Frédéric Delmar*, *Leif Lindmark*, *Christer Olofsson* *David Storey*, *Paul Reynolds* and *Johan Wiklund*. Their contributions have been absolutely crucial for important aspects of this book. In-depth collaboration with experts at Statistics Sweden has been essential especially for chapter 7. Finally, thousands of respondents, a somewhat smaller number of interviewers and a data manager have also been indispensable for the realization of this book.

I will stick to my habit of not dedicating this book to someone I love, because I think it an odd practice to “give” to people what does not interest them. Neither will I thank my family for their assistance in my writing of this book, because I don’t think they did help that much. On the contrary, they constantly tried to drag me away from the computer and lure me into all sorts of distractions that they perceived to be better use of my time. For this, I do thank them with all my heart.

Per Davidsson

CHAPTER 1

WHAT IS ENTREPRENEURSHIP?

ON THE VARIETY OF DEFINITIONS AND VIEWS OF ENTREPRENEURSHIP

Researching entrepreneurship is fun, fascinating, frustrating—and important, if you ask me. One of the fascinations is the richness of the phenomenon, which leads to one of the greatest frustrations, namely the lack of a common understanding of what precisely entrepreneurship *is*. Let me put it this way: there is no shortage of suggestions as to what the phenomenon “entrepreneurship” really consists of. Here are a few examples:

- new entry (Lumpkin & Dess, 1996)
- the creation of new enterprise (Low & MacMillan, 1988)
- the creation of new organizations (Gartner, 1988)
- a purposeful activity to initiate, maintain and aggrandize a profit-oriented business (Cole, 1949)
- taking advantage of opportunity by novel combinations of resources in ways which have impact on the market (Wiklund, 1998)
- the process by which individuals—either on their own or inside organizations—pursue opportunities without regard to the resources they currently control (Stevenson & Jarillo, 1990)
- the process of creating something different with value by devoting the necessary time and effort; assuming the accompanying financial, psychological, and social risks; and receiving the resulting rewards of monetary and personal satisfaction (Hisrich & Peters, 1989)

To expand the list, we may note that without offering formal definitions, Drucker (1985) as well as Bull & Willard (1993) favor a Schumpeterian view (Schumpeter, 1934). The former associates entrepreneurship with *innovative and change-oriented behavior*, whereas the latter include also *task-related motivation, expertise, and expectation of gain for self*.

Kirzner (1983) offered the following compilation of roles assigned to the entrepreneur by various economic theorists:

- a specific kind of labor service
- assuming the risk
- innovator
- arbitrageur
- coordinator, organizer, or gap-filler
- providing leadership
- exercising genuine will
- acting as a pure speculator
- acting as employer
- acting as superintendent or manager
- acting as a source of information
- being alert to opportunities as yet overlooked in the market

Using an empirical approach to the question of what entrepreneurship is, Gartner (1990) found the following eight themes to emerge when professional users (academic and other) of the entrepreneurship concept were asked about its inherent meaning:

- the entrepreneur
- innovation
- organization creation
- creating value
- profit or non-profit
- growth
- uniqueness
- the owner-manager

Similarly, a content analysis of journal articles and books performed by Morris, Lewis & Sexton (1994; back translated from Kufver, 1995) yielded the following most common definitional keywords:

- start; form; create
- new business
- innovation; new product; new market
- pursuit of opportunities
- risk taking; risk management; uncertainty
- pursuit of profit; personal advantages
- new production methods
- management
- coordination of resources
- value creation