

Handbook of Entrepreneurship Research

Disciplinary Perspectives

Edited by
Sharon A. Alvarez
Rajshree Agarwal
Olav Sorenson



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HANDBOOK OF
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RESEARCH

Interdisciplinary Perspectives

International Handbook Series on Entrepreneurship

VOLUME 1

Series Editors

Zoltan J. Acs, *University of Baltimore, U.S.A.*

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SERIES FOREWORD

Interest in entrepreneurship has surged in the last decade. Scholars across a broad spectrum of fields and disciplines have responded by generating new research approaches uncovering a wealth of new findings and insights about entrepreneurship. This new research spans not just a diverse set of fields, such as management, finance, psychology, economics, sociology, and geography but also a wide range of countries reflecting the fact that entrepreneurship is a global phenomenon. The exceptionally cross-disciplinary nature of entrepreneurship has made it difficult for scholars in any one particular field to become aware of and understand the leading contributions and insights emerging in other disciplines. The purpose of this series is to compile a series of handbooks, each devoted to a particular issue in the entrepreneurship field. Each handbook will draw upon the leading international scholars from the entire range of disciplines contributing to entrepreneurship to articulate the state of knowledge about a particular topic. The contribution should identify the fundamental questions which are being posed, the methodological approaches, types of data bases used for empirical analysis, the most important empirical regularities to emerge in the literature, major policy conclusions, and the most promising research direction. Thus, each handbook will reflect the interdisciplinary nature of entrepreneurship that has proven to be elusive to discipline-based scholars. A goal of the Handbook Series is not only to provide a state-of-the-art coverage of what has been learned about entrepreneurship, but that when viewed in its entirety, entrepreneurship is emerging as a bona fide academic discipline.

The particular topics in the Series will be drawn from discussions with the leading scholars. Each handbook will be directed and compiled by a Handbook Editor. (S)he will work closely with the Series Editor to ensure that the contents and contributions are appropriate, and that there is consistency with the other volumes in the Series.

The titles published in this series are listed at the end of this volume.

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Interdisciplinary Perspectives

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When Zoltan Acs and David Audretsch asked the three of us to edit the second volume of the handbook with an emphasis on disciplinary approaches towards entrepreneurship we were very excited. This was an opportunity for us to bring to mainstream entrepreneurship, work from the disciplines focused on the phenomena of entrepreneurship. The handbook also helped us to shed some understanding of the complexities of entrepreneurship research with top scholars in the disciplines of economics and sociology. The three of us felt like ambassadors, full of desire that this second volume may help to bridge the phenomenon that traditional entrepreneurship scholars know and understand so well with a set of theoretical tools that the scholars in the disciplines have.

No great accomplishment is achieved alone; every successful project requires the cooperation of many people. Several people contributed to this handbook to make it a success. Certainly all of our authors made valuable contributions, some of them despite personal tragedies during the development of this handbook. Moreover, we wish to thank Zoltan and David for believing in us. We also thank our institutions Ohio State University, University of Illinois, and University of California Los Angeles for without the support of our institutions and our colleagues at those institutions none of this would have been possible. We thank The Center of Entrepreneurship at Fisher College of Business for their generous financial support. Finally, we thank Jennifer Riegle, whose hard work and assistance with the administration of this handbook was invaluable to the process.

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1. Introduction

What should the domain of entrepreneurship studies include? Though many scholars of entrepreneurship have cautioned and even argued strongly against limiting the focus of research to the entrepreneur (Gartner, 1988; Low and MacMillan, 1988), the last two decades have nonetheless seen an increased focus on the individual and that individual's recognition of opportunities in the study of entrepreneurship (Venkataraman, 1997). While many of these articles have been fruitful to increasing our understanding of the challenges entrepreneurs face, numerous important topics, particularly those with more relevance to scholarship and theory than to the practice of entrepreneurship, have been left underdeveloped. For example, less research has focused on the importance of the macroeconomic environment to firm founding, on social and kinship ties as sources of entrepreneurial activity, and the interaction between institutions and entrepreneurship.

In the second volume of the handbook, we strive to increase awareness and stimulate research on these topics in the literature on entrepreneurship. We do so by drawing attention to the relevant research in the disciplines of economics and sociology. This volume of the handbook hopes to begin to bridge the gap between the research in entrepreneurship and the core disciplines by introducing three views of entrepreneurship from disciplinary perspectives. In particular, the chapters in this volume focus on entrepreneurship as it is informed by research in the economic theories of the firm, labor economics, and sociology. As such, the second volume of the handbook is intended to complement and build on the first volume by focusing on a select set of issues and examining them in an in-depth manner. Thus, while we continue in the tradition established in the first volume, that of drawing from the rich disciplinary perspectives, we abstract away from topics that have received much attention in the first volume (and in other entrepreneurship related collections (e.g. small business economics, psychological and other traits of entrepreneurs) to avoid redundancy. Instead,

we hope that the chapters in the second volume inform entrepreneurship researchers of new and fruitful avenues to benefit from work that may not have received as much prominent attention as have other areas.

ENTREPRENEURIAL ECONOMICS

The first of the three views in this handbook re-introduces economic theories of the firm back into entrepreneurship in a manner suggested by Casson (2003) in the first edition of the handbook. Much of this work has its origins in the classics that we are familiar with today such as Schumpeter (1934), Knight (1921), Hayek (1937). Casson suggests that economic theories of entrepreneurship are closely related to modern theories of the firm such as transactions cost economics and the resource-based theory of the firm. In this handbook, we refer to this focus as “entrepreneurial economics”.

Entrepreneurial economics uses modern theories of the firm to understand entrepreneurship. These modern theories differ from those offered in the past in that they relax many of the old neo-classical assumptions that made it difficult to apply neo-classical economics to the study of entrepreneurship. In particular, these theories typically relax the assumptions of perfect information, autonomy of preferences and costless optimization. Relaxing these assumptions enables economic theory to incorporate the entrepreneur as a decision-maker under conditions of uncertainty. It is these conditions of uncertainty that provide boundary conditions that have not been explored in our modern theories of the firm. Relaxing certain assumptions in neo-classic economic theory gives today’s entrepreneurship scholar intellectual access to the classic writings on entrepreneurship by the great writers of the past, such as Schumpeter (1934), Cantillon (1755), Knight (1921), and Hayek (1937).

The first chapter in this section (Chapter 2) reprints a paper by Rumelt, “Theory, Strategy, and Entrepreneurship.” Though an early attempt to think about entrepreneurship and the theory of the firm, “Theory, Strategy, and Entrepreneurship” links to the theory of the firm by beginning to use the definition of entrepreneurship as “the creation of new businesses.” This piece raises many questions, such as how are uncertainty, entrepreneurial rents, and the creation of new ventures in order to innovate and capture these entrepreneurial rents related? Hence, it represents an early attempt to understand the role of uncertainty, entrepreneurial rents and firm creation, and lays the ground for future fruitful development of these topics.

The second paper in this section (Chapter 3) by Mahoney and Michael, “A Subjectivist Theory of Entrepreneurship” is grounded in the resource-based theory of the firm and positions entrepreneurial decision-making at the center of the entrepreneurial firm. This work harkens back to