BIO

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Abstract

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The prevailing theories of entrepreneurship have typically revolved around the ability of individuals to recognize opportunities and then to act on them by starting a new venture. This has generated a literature asking why entrepreneurial behaviour varies across individuals with different characteristics while implicitly holding the external context in which the individual finds herself to be constant. Thus, where the opportunities come from, or the source of entrepreneurial opportunities, are also implicitly taken as given. By contrast, in this paper, we identify at least one source of entrepreneurial opportunity – new knowledge and ideas that are not fully commercialized by the organization actually investing in the creation of that knowledge. The knowledge spillover theory of entrepreneurship holds individual characteristics as given but rather lets the context vary. In particular, we consider how the knowledge context will impact the cognitive process underlying the entrepreneurial choice model. The result is a theory of endogenous entrepreneurship, where (knowledge) workers respond to opportunities generated by new knowledge by starting a new venture. In this view entrepreneurship is a rationale choice made by economic agents to appropriate the expected value of their endowment of knowledge.

The knowledge spillover theory of entrepreneurship is tested by linking the propensity for people to start a new venture to the degree to which new knowledge is
created and commercialized. Based on the recent literature identifying that knowledge spillovers are spatially bounded, we select a spatial context. The empirical findings are generally consistent with the knowledge spillover theory of entrepreneurship. In particular, high knowledge contexts are found to generate more entrepreneurial opportunities, where the entrepreneur serves as a conduit for knowledge spillovers. By contrast, impoverished knowledge contexts are found to generate fewer entrepreneurial opportunities.

Thus, while the prevalent and traditional theories of entrepreneurship have typically held the context constant and then examined how characteristics specific to the individual impact the cognitive process inherent in the model of entrepreneurial choice, this paper holds the individual attributes constant and instead focuses on variations in the context. The empirical evidence suggests that the knowledge context will impact the cognitive process underlying the entrepreneurial choice model. Thus, the evidence is consistent with the theory of endogenous entrepreneurship, where (knowledge) workers respond to opportunities generated by new knowledge by starting a new firm. Those contexts with greater investment in knowledge should also experience a higher degree of entrepreneurship, ceteris paribus.

By endogenously facilitating the spill over of knowledge created in a different organization and perhaps for a different application, entrepreneurship may serve as the missing link to economic growth. Thus, the knowledge spillover theory of entrepreneurship provides not just an explanation of why entrepreneurship has become more prevalent as the factor of knowledge has emerged as a crucial source for comparative advantage, but also why entrepreneurship plays a vital role in generating economic growth. Entrepreneurship is an important mechanism permeating the knowledge filter to facilitate the spill over of knowledge and ultimately generate economic growth.