Necessity Entrepreneurship and Industry Choice in New Firm Creation

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ABSTRACT

Research on necessity entrepreneurship has generated important insights, yet it views necessity entrepreneurs in developed countries as one encompassing group of unemployed individuals – ignoring that the level of need is not uniform but instead increases with time spent in unemployment. We begin to unpack the role of unemployment duration in necessity entrepreneurship by asking how it affects one of the most fundamental decisions in start-ups: ‘what business should I be in?’ Analyzing primary data on 576 necessity entrepreneurs combined with three secondary data sets, we find that unemployment duration affects whether ventures are launched in “home” or in external industries, and moderates the extent to which founders’ industry experience and the attractiveness of external opportunities relative to those in the “home” industry shape industry choice.