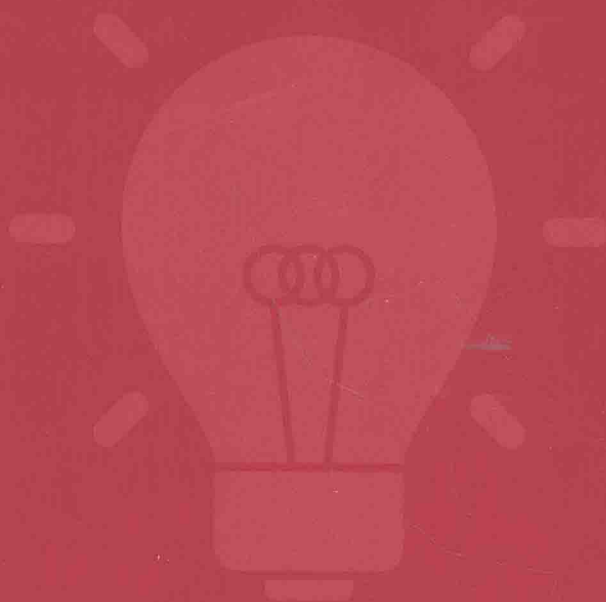


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THIRD EDITION

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VOLUME 03

ENTREPRENEURSHIP

EDITED BY MICHAEL H. MORRIS
& DONALD F. KURATKO

PREVIOUS EDITORS: MICHAEL A. HITT & R. DUANE IRELAND 1997, 2005

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VOLUME 3 ENTREPRENEURSHIP

Edited by

Michael H. Morris and
Donald F. Kuratko

*Oklahoma State University and
University of Indiana*

Previous Editors:

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Dedication

I would like to dedicate this edition of the *Wiley Encyclopedia of Management* to Professor Chris Argyris, who passed away last year. Professor Argyris and I were co-editors of the first edition, where we worked together, while I was on sabbatical, at Harvard Business School, to highlight the main structure, disciplines and functional areas of management that would be the template for future editions of the Encyclopedia. Chris was an outstanding scholar in management, probably the best known thinker in the field and renowned for his state-of-the-art management books and innovative management theories, but more important he was a wonderful person, who supported and nurtured all he worked with. I remember strolling with him on a number of occasions in Hyde Park, London, when he was in England, talking to him about his latest ideas and insights. Even in his eighties, he bubbled with enthusiasm. He was truly inspirational, and I, and his many colleagues worldwide, will miss him dearly.

*Professor Sir Cary L. Cooper, CBE
The Editor-in-Chief*

Preface

The twenty-first century has emerged as the golden age of entrepreneurship. The rapid development of free markets and a truly global economy have produced an entrepreneurial revolution, where the rates of start-up activity (for-profit and nonprofit), the pace of technological advancement, and the rates of both product and process innovation are at historical highs. Entrepreneurship is viewed increasingly as the dynamic that drives economic development, transforms communities, facilitates social innovation, and empowers individuals regardless of gender, ethnicity, race, or social class.

Arguably, there is a similar revolution occurring in entrepreneurship research. Scholarly attention to the many questions surrounding entrepreneurial behavior has dramatically increased over the past 25 years. Some of this attention has come from researchers primarily focused on issues within the disciplines of economics, sociology, psychology, finance, and other fields where the entrepreneur or early stage venture offers interesting context. However, much more significant is the emergence of a dedicated community of scholars whose work is principally concerned with questions surrounding entrepreneurial activity. This scholarly community is growing for a number of reasons.

As universities have developed extensive coursework together with undergraduate, master's level, and doctoral degrees in entrepreneurship, the component of dedicated faculty within the discipline has multiplied. The more recent trend toward university-wide entrepreneurship, where entrepreneurial content and interdisciplinary connections are fostered across the university campus, has also contributed to the advancement of scholarly activity. A parallel development is the launch of a number of high quality, rigorous entrepreneurship journals and the growing willingness of well-established and highly respected journals in a range of academic disciplines to publish manuscripts that primarily address questions surrounding entrepreneurial behavior. Foundations and institutes have demonstrated an increased proclivity to fund research that addresses the most significant issues in entrepreneurship.

Moreover, the stakeholders in this research area have grown as the contexts for entrepreneurial action have been extended. While the traditional research was concerned with new venture start-up or the small business management context, the scope of attention today extends to examinations of entrepreneurial behavior within established corporations, social and nonprofit ventures, and the public sector. Even within the start-up and early stage context, efforts are being devoted to better understanding the nuances of lifestyle versus growth ventures, family-owned versus publically held companies, and both high-tech firms and survival enterprises at the base of the pyramid. Further, interest exists at multiple levels of analysis, from individuals and organizations to the communities, nation-states, and regions of the world.

Our purpose with this new edition of the Encyclopedia is to provide a timely synthesis of the leading research topics and major issues being addressed by contemporary entrepreneurship scholars. Our approach is to ensure the treatment is concise, up-to-date, captures the primary issues and findings surrounding an issue or question, and offers some of the primary references reflecting previous foundational and seminal work on the topic. Building on the outstanding work of the editors who preceded us, this volume has been entirely updated from the earlier editions, with revisions and updates made to existing entries and the addition of a number of new topics that reflect exciting research streams that have emerged in the past few years. It serves as a desk reference for those generally interested in entrepreneurial topics, including educators, scholars, students, public policy

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makers, entrepreneurial support organizations, and practitioners. It also serves as a place to begin for those researchers initiating new scholarly projects or topical investigations.

Building upon a tradition established with the first two editions of the *Encyclopedia of Entrepreneurship*, we have approached the thought leaders within the discipline of entrepreneurship to get their insights. One hundred and twenty-five of the top international scholars have prepared explanations of the major concepts that constitute the core of what is being researched and taught in the contemporary discipline of entrepreneurship. We are exceedingly grateful for their insightful perspectives. Selecting the topics is a daunting task given the rapid expansion of both the depth and breadth of our knowledge about entrepreneurship. The range of 102 topics included here is intended to be reasonably comprehensive, but with such a dynamic field of study there is always the potential for certain newer topics to be overlooked or combined under some other topic. We apologize for any oversights.

It is with great pride that we present the third edition of this important volume. We hope you find it to be a helpful resource in your work.

Michael H. Morris and Donald F. Kuratko

About the Editors

Editor-in-Chief

Professor Sir Cary L. Cooper, CBE, is Distinguished Professor of Organizational Psychology and Health at Lancaster University Management School, UK. He is the author of over 100 books, Founding Editor of the *Journal of Organizational Behavior*, Founding President of the British Academy of Management, and Chair of the Academy of Social Sciences (comprises 46 learned societies and nearly 90,000 social scientists).

Volume Editors

Michael H. Morris holds the George and Lisa Etheridge Professorship at the University of Florida, where he is the Academic Director of the Entrepreneurship Program. He previously was the N. Malone Mitchell Chair and founded the School of Entrepreneurship at Oklahoma State University and before that launched the Department of Entrepreneurship at Syracuse University. The programs at all three universities have received global recognition for excellence. A pioneer in curricular innovation and experiential learning, his entrepreneurial outreach efforts have facilitated the development of hundreds of ventures, and he has started three ventures of his own. Professor Morris is the Director of the Experiential Classroom, founded in 1999, which shares best practices in entrepreneurship education with faculty from around the globe, and annually coordinates the Entrepreneurship Empowerment in South Africa Program. He has published 11 books and over 130 articles in peer-reviewed journals. He co-edits the Prentice-Hall Entrepreneurship Series and is Editor Emeritus of the *Journal of Developmental Entrepreneurship*. Dr. Morris is a Past President of the United States Association for Small Business and Entrepreneurship (USASBE) and has chaired the American Marketing Association's Entrepreneurship & Marketing Taskforce. He has been awarded the Edwin & Gloria Appel Prize for contributions to entrepreneurship. A former Fulbright Scholar, Dr. Morris was selected as a top 20 entrepreneurship professor by *Fortune Small Business* and received the Leavey Award from the Freedoms Foundation for impacting private enterprise education. USASBE recognized him as Entrepreneurship Educator of the Year in 2012. He earned his Ph.D. from Virginia Tech in 1983.

Donald F. Kuratko is the Jack M. Gill Distinguished Chair of Entrepreneurship; Professor of Entrepreneurship; and Executive Director of the Johnson Center for Entrepreneurship & Innovation at the Kelley School of Business, Indiana University, Bloomington. He has been named one of Top 50 Entrepreneurship Scholars in the world with over 190 articles on aspects of entrepreneurship and corporate innovation in journals such as *Journal of Business Venturing*, *Entrepreneurship Theory & Practice*, *Strategic Management Journal*, *Journal of Operations Management*, *Academy of Management Executive*, *Journal of Business Ethics*, *Business Horizons*, and *Journal of Product Innovation Management*. Professor Kuratko has authored 30 books, including one of the leading entrepreneurship books in the world, *Entrepreneurship: Theory, Process, Practice*, 9th ed. (2014), as well as *Corporate Entrepreneurship & Innovation*, 3rd ed. (2011) and *Innovation Acceleration* (2012). He is the Cofounder and Chairman of the Global Consortium of Entrepreneurship Centers (GCEC), an organization comprising over 250 top university entrepreneurship centers throughout the world. Dr. Kuratko was named the #1 Entrepreneurship Program Director (*Entrepreneur* magazine); selected as one of

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the Top Entrepreneurship Professors in the United States (*Fortune* magazine); honored as a *21st Century Entrepreneurship Research Fellow*; recipient of the Academy of Management's *Entrepreneurship Advocate Award*; and inaugural recipient of the *Karl Vesper Entrepreneurship Pioneer Award* for his contributions to the development and advancement of the discipline of entrepreneurship. Under Professor Kuratko's leadership and with one of the world's most prolific entrepreneurship faculties, Indiana University has been continually ranked the #1 Business School for Entrepreneurship Research by the *World Rankings for Entrepreneurship Productivity*, as well as the #1 Graduate Business School for Entrepreneurship and the #1 Undergraduate Business School for Entrepreneurship (Public Institutions) by *U.S. News & World Report* and *Fortune Magazine*.

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absorptive capacity and the entrepreneurial process

Shaker A. Zahra and Gerard George

In today's globally interconnected world, ideas for entrepreneurial activities do not always grow within a company's operations. They also grow in other companies in and outside their industries. The growing dispersion of knowledge, research and development (R&D) activities, and innovation centers has made it imperative for companies to look for fresh and new knowledge around the globe (Zhao and Anand, 2009). The dizzying speed of innovation and rapid technological change have compelled entrepreneurs and managers to canvass the globe and learn about new ideas, understand the strategic implications for their businesses, and creatively assimilate these ideas into their operations (*see INNOVATIONS*) (Todorova and Durisin, 2007). The infusion of new ideas into an organization stimulates its employees' thinking about their applications by combining them with companies' existing resources, knowledge, and capabilities. Even though new knowledge often clashes with the company's existing knowledge bases, it also sets the stage for the creative combining of knowledge, an important foundation for innovation and new business creation (Zahra, 2008; Zahra and Nasimbam, 2011).

Entrepreneurial companies use multiple approaches to learn about and gain knowledge from other companies and industries. Some invest in environmental scanning activities, monitoring and analyzing trends in their industry and elsewhere. Environmental scanning allows companies to spot changing technological, social, political, and economic

trends that could affect their businesses. This information is useful in re-examining a company's business definition and making fundamental changes in its strategy. The general information gathered through scanning activities, however, is rarely sufficient to develop specific capabilities in existing and emerging business fields in which the firm aspires to compete. Therefore, companies invest heavily in R&D activities to develop new knowledge and learn by doing. Some companies also invest heavily in start-up firms in and outside their industries, hoping to learn more about changing technological trends and how to build the skills needed to compete. Companies also join strategic alliances and technology consortia and thus learn from their competitors and allies. Some companies acquire firms that have the competencies that they need to renew existing operations or venture into new competitive arenas.

The different types of knowledge to be gathered from the diverse sources just mentioned often create a rich array of potential opportunities from which companies choose. They can also provide a basis for mapping effective strategies that allow these companies to proactively and profitably exploit these opportunities. Yet, exposure to these different and rich knowledge sources may not help those companies eager to identify and pursue opportunities; these companies may not fully understand the nature and importance of that knowledge. Much depends on these companies' absorptive capacity.

DEFINITION AND DIMENSIONS OF ABSORPTIVE CAPACITY

As just noted, many companies do not gain advantages from their huge investments in their