

Have We Oversold the Silicon Valley Model of Entrepreneurship? The (Re-)Emergence of Main Street Entrepreneurship

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Entrepreneurship increasingly means a singular and exclusive focus on high technology firms that are launched on the basis of a potential innovation that is more radical than incremental in nature. The opportunities to start the new firm emanate from research and development, or more generally ideas, created in the organizational context of an incumbent firm or organization, such as a university. An abundance of new ideas drives a flourishing startup environment or ecosystem. However, only a subset of entrepreneurial ventures survive s by actualizing innovative activity and generating vigorous growth rates, while the remainder stagnate and ultimately exit from the industry. Audretsch (1995) characterizes the industry structure in an entrepreneurial industry as a conical revolving door, where the base of the cone is driven by a high rate of startups that come and go with rapidity, while displacement at the higher end of the firm-size distribution is less frequent. Finance is typically from risk-capital sources, such as venture capital and angel capital (Lerner, Leamon and Hardyman, 2012). Employees as well as employers expect short term employment contracts, so that mobility and fluidity are more the rule than the exception (Audetsch, 1995). As the founder of Intel, Gordon Moore, describes, to generate entrepreneurship, “Combine liberal amounts of technology, capital and sunshine. Add one (1) university. Stir vigorously” (Moore and Davis, 2004).

According to Shane and Venkataraman (2000, p. 217) entrepreneurship is the “discovery and exploitation of profitable opportunities,” which is increasingly interpreted as singularly and exclusively emanating from high-growth innovative companies in high-tech industries. (Shane

and Venkataraman, 2000; Wiklund et al., 2011). For examples, Lerner (2012) refers to venture capital financed ventures as entrepreneurship. Similarly, Stuart and Sorenson (2003) interpret IPOs as entrepreneurship. McKelvie and Wiklund (2010) follow suit by viewing entrepreneurship in terms of firm innovative performance. This reflects the growing trend in the literature is to distinguish entrepreneurial from non-entrepreneurial firms on the basis of firm growth (World Economic Forum, 2011; Markman and Gartner, 2002).

There are at least four major problems with this exclusive view of entrepreneurship. The first is that it has a singular focus on what actually constitutes a phenomenon that is an outlier and exception – Silicon Valley entrepreneurship, which reflects only a modicum of people and enterprises, even as it captures the headlines and imaginations of the broad public. For example, in his highly influential study, *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed – and What to Do about It*, Lerner (2012) suggests that entrepreneurship consists of high tech, venture capital funded companies. In fact, the normal experience is not in venture capital funded highly volatile Silicon Valley technology startups, but rather prevalent across a broad spectrum of business organizations and contexts, spanning family business, small business, business ownership and self-employment.

In the more popular, or real world, context of thought leadership among business and policy decision makers, *Business Dictionary.com* considers entrepreneurship to be “The most obvious example of entrepreneurship is the starting of new businesses.”¹ Similarly, the European Commission equates small and medium-sized enterprises (SMEs) with entrepreneurship, “Small firms depend on entrepreneurs - the individuals who have the ideas and are willing to take the risks necessary to get a firm off the ground.”² If it comes down to the commonly held view of

¹ <http://www.businessdictionary.com/definition/entrepreneurship.html>.

entrepreneurship prevalent among the public and thought leaders in business and policy versus a highly skewed and special exceptional and exclusive view held by scholars and academics, it is not the latter who will ultimately prevail.

The second problem with the singular and exclusive view of entrepreneurship is that it marginalizes and deems less relevant large and robust literatures focusing on main street entrepreneurship. For example, the large and robust literature on self-employment (Parker, 2009) business ownership (Wennerkers and Thurik, 1999) and family business (Chua, Chrisman and Sharma, 1999; and Wright, Chrisman, Chua and Steier, 2014) are clearly not included in the Silicon Valley model of entrepreneurship.

The third problem arises from viewing entrepreneurial performance through the lens of the Silicon Valley model. For example, this lens applies short-term time horizons in evaluating performance criteria. It also ignores broader linkages and positive externalities. Systematic and compelling econometric evidence provides a consistent and positive link between startup activity of all types and economic performance at the spatial level (Audretsch, Keilbach and Lehmann, 2006; Glaeser, Kerr and Kerr, 2015; and Fritsch, 1997), as well as between self-employment and economic performance for developed, OECD countries (Wennerkers and Thurik, 1999).

Similarly, strong and compelling evidence suggests that different institutional contexts (Guiso, Sapienza and Zingales, 2006; and Bruton, Ahlstrom and Li2010), such as the German *Mittelstand*, results in a high performance of not just the companies, and even Hidden Champions (Simon, 1996), but also for their regions (Audretsch and Lehmann, 2016).

² Commission of the European Union, Directorate General Enterprise and Industry, “ Entrepreneurship 2020 Action Plan: Promoting Entrepreneurship,” 2014, http://ec.europa.eu/enterprise/policies/sme/promotingentrepreneurship/index_en.htm

The fourth problem is that the exclusive and singular view of entrepreneurship may contribute to a warped policy, where the focus and priority is solely on policies and instruments to spur high-tech, high-growth innovative companies at the expense of main street entrepreneurship (Lerner, 2012).

The purpose of this lecture is to provide a forum to refocus, reconsider, recalibrate and rediscover main street entrepreneurship by highlighting its multidimensional manifestations along with the diverse and heterogeneous linkages to performance across a variety of institutional, industry, spatial and cultural contexts (Autio, Kenney, Mustar, Siegel, and Wright, 2014). Particular questions and issues to be discussed and analyzed include:

- What are the salient characteristics distinguishing main street entrepreneurship from Silicon Valley entrepreneurship?
- How do institutions make a difference and in what way?
- Has policy been blind to main street entrepreneurship in favor of the Silicon Valley model?
- What is the multi-level dimension of entrepreneurship and linkages between main street and Silicon Valley entrepreneurship?

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