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# **Livelihood Disruption and Venture Creation: Entrepreneurship as Technology Adoption**, **A case of Tobacco Farmer in Kentucky** Sivalai V. Khantachavana, David R. Just, Helen Pushkarskaya

## Introduction

 Technology adoption and Entrepreneurial activity both involve substantial risks. • The uncertainty in household income and changes in economic environment during the tobacco transition payment program lead many individuals into entrepreneurial activities. • Heterogeneity in learning by doing, or knowledge generated by direct or indirect experience, is determined by the degree to which the individual is connected to an entrepreneurial social network.

• Entrepreneurs need complementary resources to produce and deliver their goods and service (Teece 1987). They need support, knowledge and access to distribution channels through social network.

• The link and the interaction among entrepreneurs and their social network can enlarge the availability of resources that help maintain a new firm (Hansen 1995).

# **Objectives**

 Use the theory of technology adoption to study entrepreneurship

• Examine the role of social networks (learning by doing) in the adoption of entrepreneurship • Study the factors associated with an entrepreneurial activity decision

# Hypotheses

• The "push" hypothesis: farmers with decreased income are pushed into starting a new business • Learning by Doing: Farmers who have friends who have started ventures will be more likely to start their own, controlling for other social connections.

## Data

• A Survey of Kentucky Farmers: The Tobacco Buyout, 2005-2006 • 702 respondents

#### <u>Bivar</u>

#### $max_{t\in I}$

- *S* =Soc
- • $\pi_e = C$ • $\pi_0$  = E
- *t* = Per entrepr
- *T* = Lei
- *U* = Sta •  $\theta$  = Pe

### $EU(\pi_{e})$

- Disc - wł  $U_i^*$ 
  - $U_i^*$
  - $Z_i$
- wh  $EU_i$

### $EU_{i}$

 Factor techno - Far

**Cornell University, University of Kentucky** 

Methods		
	Bivari b/s	
Bivariate Probit Model	entrep	
	income1 0.4	84'
$\mathbf{u}$ $(\mathbf{u}$ $(\mathbf{u}$ $\mathbf{u}$ $\mathbf{u}$ ) $\mathbf{u}$ $(\mathbf{u}$ $(\mathbf{u}$ $\mathbf{u}$ )	(0.2	
$max_{t\in[0,1],T}U(\pi_0(\theta,(1-t),T)) + EU(\pi_e S,\theta,t,T),$	income2 0.03	
	(0.1	.74
• <i>S</i> =Social network	income3 0.1	08
• $\pi_e$ = Current employment profit	(0.2	00
• $\pi_0$ = Entrepreneurial activity random profit	land 0.10	
<ul> <li>t = Percentage of working time devoted to the</li> </ul>	(0.1	
entrepreneurial activity	buyout checks -0.0	
• $T = $ Leisure time	payment option 0.2	
<ul> <li>U = Standard utility of wealth function</li> </ul>	(0.1	
• $\theta$ = Personal characteristics	educ 0.1	
	(0.1	
$EU(\pi_e S,\theta,t,T) = \int_{-\infty}^{\infty} U(\pi_e)f(\pi_e S,\theta,t,T)d\pi_e$	comp 0.0	
$J_{-\infty} = (n_e   \sigma   \sigma   \sigma   \sigma   \sigma   \sigma   \sigma   \sigma   \sigma   $	(0.1	.72
	internet 0.1	00
<ul> <li>Discrete choices</li> </ul>	(0.1	.44
whathar ar not to quit tobacco form	social group -0.1	.42
<ul> <li>whether or not to quit tobacco farm</li> </ul>	(0.1	.74
$U_i^* = U(\pi_{0i}(\theta_i, (1-t_i), T_i; u_i))$		
	Note: *p<0.1; **p<0.05	. *
	Note: p<0.1, p<0.05	<u> </u>
$U_i^* = X_{1i}\beta_1 + u_i$	Bivaria	
	b/se	)
$(1 if II^* < FII(\pi .   S. A. t. T.)$	quittobacco	_
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	incomo? 0.1	
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- whether or not to start new business	income2 -0.1 (0.1 income3 0.11	90
- whether or not to start new business	(0.1	90 1
- whether or not to start new business $EU_i^* = EU(\pi_{ei} S_i, \theta_i, t_i, T_i; \varepsilon_i)$	(0.1 income3 0.11	90 L1 09
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$EU_i^* = EU(\pi_{ei} S_i, \theta_i, t_i, T_i; \varepsilon_i)$ $= \int_{-\infty}^{\infty} U(\pi_e) f(\pi_e S_i, \theta_i, t_i, T_i; \varepsilon_i) d\pi_e$ $EU_i^* \cong X_{2i}\beta_2 + \varepsilon_i$ $y_i = \begin{cases} 1 \text{ if } EU_i^* > U(\pi_{0i}(\theta_i, (1 - t_i), T_i)) \\ 0 \text{ if } EU_i^* \le U(\pi_{0i}(\theta_i, (1 - t_i), T_i)) \end{cases}$ • Factors affecting entrepreneurial	(0.1 income3 0.11 (0.2 land 0.12 (0.1 buyout checks 0.00 payment option 0.32 (0.2 educ 0.29 (0.1 comp -0.0 (0.1 internet 0.06 (0.1 social group 0.52 (0.1 know people 0.03 (0.1	90 10 10 23 51 00 29 04 59 62 46 78 51 49 22* 94 39 61 03 78
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Credit constraint, Location factors • Factors affecting entrepreneurial decision - Economic factors, Human capital, Social network, Distance and geography, Tenure, Demographic factors

rho	0.19
	(0.09
Ν	692
Note: *p<0.1; **p<0	.05; *

# Results

Bivariate Probit (Outcome equation)			
b/se		b/se	
0.484**	know people	0.290*	
(0.2201)		(0.1573)	
0.033	urban	0.104	
(0.1742)		(0.1563)	
0.108	distance	0.107	
(0.2009)		(0.2035)	
0.163	rent	-0.068	
(0.1270)		(0.1628)	
-0.000	age1	0.402*	
(0.0000)		(0.2324)	
0.288	age2	0.464**	
(0.1947)		(0.1863)	
0.123	age3	0.260	
(0.1423)		(0.1935)	
0.064	white	-0.525**	
(0.1727)		(0.2237)	
0.100	death	0.313**	
(0.1443)		(0.1261)	
-0.142	divorce	0.214	
(0.1743)		(0.2048)	
	constant	-1.650***	
		(0.3137)	
0.05; ***p<0.01		·	
ivariate Probit (Sele	ction equation)		
	ction equation)		
		b/se	
b/se		b/se	
b/se	2001		
<b>b/se</b> -0.161	age1	0.028	
<b>b/se</b> -0.161 (0.2504)		0.028 (0.2508)	
<b>b/se</b> -0.161 (0.2504) -0.122	age1 age2	0.028 (0.2508) -0.185	
-0.161 (0.2504) -0.122 (0.1908)	age2	0.028 (0.2508) -0.185 (0.1951)	
-0.161 (0.2504) -0.122 (0.1908) 0.111		0.028 (0.2508) -0.185 (0.1951) -0.026	
-0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095)	age2 age3	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916)	
<pre>b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123</pre>	age2	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516)	age2 age3 white	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036)	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000	age2 age3	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000)	age2 age3 white death	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391)	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329	age2 age3 white	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000)	age2 age3 white death	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391)	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329	age2 age3 white death divorce	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241	
<pre>b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329 (0.2042)</pre>	age2 age3 white death divorce business	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241 (0.2252)	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329 (0.2042) 0.259	age2 age3 white death divorce business	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241 (0.2252) -0.516***	
b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329 (0.2042) 0.259 (0.1621)	age2 age3 white death divorce business climate	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241 (0.2252) -0.516*** (0.1400)	
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b/se -0.161 (0.2504) -0.122 (0.1908) 0.111 (0.2095) 0.123 (0.1516) 0.000 (0.0000) 0.329 (0.2042) 0.259 (0.2042) 0.259 (0.1621) -0.046 (0.1783) 0.061 (0.1490) 0.522***	age2 age3 white death divorce business climate tobacco acres	0.028 (0.2508) -0.185 (0.1951) -0.026 (0.1916) 0.166 (0.3036) 0.181 (0.1391) 0.241 (0.2252) -0.516*** (0.1400) -0.001 (0.0032) -0.000 (0.0000) 0.292*	
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# Conclusions • Tobacco farmers are more likely to start Know others who started their •Under 54 years of age •Experienced a recent death in hypothesis as farmers with low income are entrepreneurs) appears to have no impact. References • Hansen, E. L. (1995). "Entrepreneurial network Entrepreneurship: Theory and Practice 19(4): 7-• Teece, D. J. (1987). Profiting from technological

their own business if:

- •Low Income
- own business
- •White
- the household.

• The finding supports the "push" pushed into starting a new business. • Learning by doing is supported. Other social connections (with non-

and new organization growth."

19.

innovation: Implication for integration, collaboration, licensing, and public policy. The <u>competitive challenge</u>. D. J. Teece. Cambridge, MA, Ballinger Publishing: 185-219.

975)

\*\*\*p<0.01