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Forced founding – does it differ?

The origin of our paper lies on two observations. Firstly, the results based on official regional statistics show that there is a positive correlation between the change in unemployment rate and new firm formation. The interdependence strengthens when enterprise density is high and local market demand is increasing. Secondly, forced founding is more common than earlier. These observations encouraged us to find out, whether forced founding differs from other business founding. The data (n=200) consist of firms in metal product industry and business services founded in 1990. The data were collected by personal interviews. The founders were classified into two groups: (1) new firms where unemployment or threat of unemployment was an important motive for founding; and (2) new firms where pull-factors dominated.

The results concerning metal product industry show that forced founding appears in characteristics of an entrepreneur and in a firm's strategy. However, differences in personal characteristics were minor than expected. Chance control was stronger and control of other powerful persons weaker among forced founders but any differences did not exist in education and work experience. Differences in strategic choices were more distinct. Forced founding refers to small size, competition with larger firms located in neighbourhood, pursuit of customers without earlier experience of similar products, and pursuit of specialization. The results also show that industrial differences are evident reflecting differences in business environment.