Title: Driving Business Growth in the Information Economy: New Perspectives from Technology Vendors and Entrepreneurial Ventures

Speaker: Mr Chen Qing

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Abstract:

In today's information economy, IT plays a critical role in driving business growth, by both operational and strategic benefits. However, two research gaps are prominent in the existing literature. First, technology vendors (e.g., software firms) are disproportionately overlooked, while prior studies predominantly examine the business value of IT usage (rather than IT production). Second, entrepreneurship, a core driver for business growth, is seldom examined in previous IS research. Hence, this thesis develops three studies to address the above two gaps.

Study one analyzes over 300 U.S. publicly traded software firms from 2000 to 2012 to examine how service strategy (servitization) influences software firms' growth prospect. From the theoretical lens of capacity constraint and switching cost, we find that although service-oriented software firms experience less decrease in Tobin's Q to tide them over economic recessions, software firms growing emphasis on service businesses impedes the growth prospects (operationalized by Tobin's Q and analyst recommendation rating).

Study two investigates how incumbents IT intensity influences entrepreneurial spawning (i.e., employees leaving to create new businesses). From the entrepreneurial learning perspective, we hypothesize that IT intensity may trigger more employees to launch own businesses by bestowing them with specific kinds of human capital. Our central hypothesis is empirically supported when we examine Standard and Poor's 500 firms from 1990 to 2010. On average, an increase of 10% IT intensity results in six more new ventures spawned and this effect of IT intensity is shown to be stronger than that of R&D intensity. We further elucidate the three potential mechanisms (examined through time, firm size and age) in which IT intensity may influence entrepreneurial spawning.

Study 3 exploits a large sample of resumes from IT graduates to examine how initial job
placement influences their choices to become entrepreneurs later on. Relying on an exogenous shock from the economic recession, we find that the initial job placement in the IT industry significantly increases IT graduates’ probabilities to enter entrepreneurship. To resolve the unobserved individual heterogeneity, we adopt finite mixture model and identify two types of IT graduates. While one type of IT graduates would have higher probability to enter entrepreneurship if initially placed in large IT firms, the other type would do so if initially placed in small IT firms. Our work is pioneering in delineating and documenting the positive effects of work experience in the IT industry in preparing nascent entrepreneurs. We also contribute to the literature of entrepreneur development, by (1) demonstrating compelling causal evidences on the "contextual view" and (2) resolving the long-standing theoretical disputes between "Xerox view" and "Fairchild view". Practically, our findings provide critical implications for youngsters with entrepreneurial orientation and policy makers in career choice and entrepreneurship acceleration.