Habitual Entrepreneurs
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Foundations and Trends® in Entrepreneurship, 2008, Volume 4, 6 issues. ISSN paper version 1551-3114. ISSN online version 1551-3122. Also available as a combined paper and online subscription.
Habitual Entrepreneurs

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Abstract

This review explores the emerging debate relating to habitual entrepreneurs. Habitual entrepreneurs (also known as experienced or, latterly, repeat entrepreneurs) are a widespread phenomenon. An entrepreneur’s business ownership experience may differ according to the number of private businesses s/he has established, inherited and/or purchased. The nature of an entrepreneur’s business ownership experience may not be homogeneous. Some habitual entrepreneurs may exit one private business before owning a subsequent one (i.e., serial entrepreneurs), while others may start/purchase and retain ownership of several private businesses concurrently (i.e., portfolio entrepreneurs). This review compares the profiles, behavior, and contributions of
habitual entrepreneurs (i.e., serial and portfolio entrepreneurs) and novice entrepreneurs (i.e., entrepreneurs with no prior business ownership experience). The theoretical and policy cases for distinguishing between different types of entrepreneur are made. Differences between types of entrepreneur are examined in terms of their human capital profiles (e.g., education, motivations, and skills). Behavioral differences are examined with regard to the acquisition of resources, opportunity identification, pursuit and mode of exploitation, and organizational strategies. Finally, entrepreneur and firm performance differences between the different types are reviewed. Policy and practitioner implications are raised and assuming an interventionist stance, the case for targeted assistance toward habitual, serial, and portfolio and novice entrepreneurs is discussed. Avenues for additional research attention are highlighted relating to the following themes: the nature of opportunities; information search; leveraging human capital; entrepreneurial teams; measures of habitual entrepreneurship; the role of the external environment; contexts for habitual entrepreneurship; and methods and data issues.
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Considerable debate continues to surround the notion of entrepreneurs and entrepreneurship. Numerous theories have been developed to explain the activities of entrepreneurs and the organizations they own (Cuevas, 1994; Westhead and Wright, 2000). Entrepreneurship theorists generally suggest that the entrepreneur is the key unit of analysis (Shane, 2000; Davidsson and Wiklund, 2001). It is very difficult to present an over-arching theory of entrepreneurship, because there is no consensus surrounding the definition of entrepreneurs or the entrepreneurial process. Definitions have focused upon “who the entrepreneur is” (i.e., the entrepreneur as a particular type of person or the entrepreneur as the product of a particular environment), or “what the entrepreneur does” (i.e., the entrepreneur as the performer of a particular role in society, entrepreneurship as a specific input in the economy, entrepreneurial events, and entrepreneurial processes) (Gartner, 1990). Enterprise scholars have traditionally focused on the profiles of entrepreneurs and what the entrepreneur does (Gartner, 1989), as well as the performance of individual entrepreneurs and firms (Westhead et al., 2005a,b,c). Venkataraman (1997, p. 120) has, however, suggested that the field of entrepreneurship research should seek “... to
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understand how opportunities to bring into existence ‘future’ goods and services are discovered, created, and exploited, by whom, and with what consequences.”

Beyond definitional problems, an additional source of difficulty in understanding entrepreneurship stems from the heterogeneity of entrepreneurs. One notable source of heterogeneity is variations in the level and nature of entrepreneurs’ experience. The nature and impact of entrepreneurial experience, in particular business ownership experience, is attracting increasing attention (Chandler and Jansen, 1992; Reuber and Fischer, 1999; Erikson, 2003; Westhead et al., 2004; 2005a,b,c). Information relating to experience accumulated by an entrepreneur is widely used by practitioners (i.e., financial institutions and enterprise agencies) to screen applications for assistance (MacMillan et al., 1985; Westhead and Wright, 1999). In this review, we focus in particular on business ownership experience. Business ownership by key decision-makers is an important defining feature of entrepreneurship (Hawley, 1907; Gartner and Shane, 1995). Variations in business ownership experience have led to the distinction between experienced (habitual) entrepreneurs and first-time (novice) entrepreneurs. This review focuses on habitual entrepreneurs who have the potential to leverage their business ownership experience in subsequent ventures. Habitual entrepreneurs will be compared against novice entrepreneurs who do not have any prior business ownership experience to draw upon.

In comparison to novice entrepreneurs, habitual entrepreneurs with prior business ownership experience may have broadened their knowledge and skill bases to ensure that they can leverage a more diverse human capital (Becker, 1975) profile. A novice entrepreneur who can only leverage the experience accumulated with reference to their current venture may be unable to move down the experience curve relating to the issues and processes associated with identifying and exploiting entrepreneurial opportunities (i.e., those relating to the start-up or purchase of businesses) (MacMillan, 1986).

The wealth creation potential of habitual entrepreneurs is attracting growing research attention (Westhead and Wright, 1998a,b, 1999; Westhead et al., 2003a; Rerup, 2005; Baron and Ensley, 2006). Scott and Rosa (1996) have argued that habitual entrepreneurs are an important
sub-group of entrepreneurs who have the potential to make a fundamental contribution to the process of wealth creation in society. This wealth creation relates both to private returns in terms of financial gains at the personal level and for investors, as well as at the societal level through the creation of ventures that generate employment and taxation revenues that may not otherwise have occurred. Moreover, studies that specifically focus on habitual entrepreneurs should facilitate a broader understanding of the entrepreneurial process (Rosa, 1998), as well as shed light on the sources of wealth creation.

Studies exploring the relationship between business ownership experience and outcomes have tended to focus on whether or not the entrepreneur has experience and/or the amount of experience (Westhead and Wright, 1998a; Baron and Ensley, 2006). These studies generally assume that more experience (i.e., extent) will be associated with superior outcomes. For example, McGrath and MacMillan (2000) provocatively asserted that repeat entrepreneurs (i.e., entrepreneurs with multiple business ownership experience, also known as habitual entrepreneurs) might have an “entrepreneurial mindset” that prompts them to search out opportunities with enormous discipline, and to pursue only the very best opportunities. There is limited empirical evidence to support these assertions. Further, there is inconclusive evidence relating to the link between an entrepreneur’s prior business ownership experience and superior levels of firm performance (Stuart and Abetti, 1990; Birley and Westhead, 1993; Westhead and Wright, 1998a,b). Previous studies have generally failed to examine whether the nature of experience (e.g., how experience is acquired and whether experience is associated with business failure (or success)) is linked to the number of business opportunities identified and the quality (i.e., wealth creation potential) of opportunities exploited.

Habitual entrepreneurs can accumulate both assets and liabilities associated with their previous business ownership experience (Starr and Bygrave, 1991). Hence, it may be a myth to suggest that all habitual entrepreneurs are successful and outperform novice entrepreneurs (Ucbasaran et al., 2006a). The current stock of novice entrepreneurs is the breeding ground (i.e., pool) for future experienced habitual entrepreneurs. Some highly successful entrepreneurs may have also
been associated with prior business “failures” which represent potentially valuable opportunities for learning, and the revision of expectations (Sitkin, 1992; McGrath, 1999).

In response to calls for more research to focus specifically upon habitual entrepreneurs (and sub-types such as serial and portfolio entrepreneurs) (Wright et al., 1997a,b; Westhead and Wright, 1998a,b; Ucbasaran et al., 2001; Carter and Ram, 2003), several recent studies have been conducted in a number of developed economies. In this review, we examine theory and evidence relating to different “types” of entrepreneurs with specific focus on the level and nature of their prior business ownership experience. Emerging studies examining broader dimensions of “experience” are beyond the remit of this review.

This review is organized as follows. The next section provides the definitions of different types of entrepreneurs adopted in this review and their justification. An examination of the scale of habitual entrepreneurship is presented in Section 3. Guided by insights from human capital theory and cognitive theories, the theoretical case for distinguishing between different types of entrepreneurs with reference to their prior business ownership experience profiles is then raised in Section 4.1. The policy case for distinguishing between different types of entrepreneurs is highlighted in Section 4.2. Assuming an interventionist stance, the case for tailoring policy assistance to the needs of specific types of entrepreneurs, rather than the provision of broad “blanket” policies to all firms, is made. Empirical evidence relating to habitual entrepreneurs is summarized in Section 5. Due to space constraints, not all the themes explored in previous studies are reviewed. This review focuses on the following themes: human capital differences, behavioral differences, and firm and entrepreneur performance. With reference to the discussed evidence base, several policy and practitioner implications are highlighted in Section 6. Despite recent research progress, several gaps in the knowledge base relating to the habitual entrepreneur phenomenon still exist. Avenues for future research are presented in Section 7. Finally, conclusions are summarized in Section 8.
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