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A TEST OF ÆSOP’S FABLE: TORTOISES AND HARES IN THE RACE TO START AND BUILD BUSINESSES (INTERACTIVE PAPER)

Jonathan Levie  
*University of Strathclyde, j.levie@strath.ac.uk*

Mark Hart  
*Aston University*

Alpheus Thlomole  
*University of Strathclyde*

Aloña Martiarena  
*Aston University*

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Jonathan Levie, University of Strathclyde, UK
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Principal Topic

As Davidsson (2006, p.19) has pointed out, “One problem with the PSED design is that ... some cases may have been active start-up efforts for years before being sampled, while cases that are abandoned rather quickly after initiation are, in comparison, under sampled”. GEM surveys also suffer from this bias. They may contain more “tortoises” – long term or “slow” nascent entrepreneurs – and fewer “hares” – those “fast nascents” who sprint to a start-up or abandonment of the idea. In this paper, we assess the extent of this bias, and test whether time to start a business might predict future potential.

Method

The 2009 United Kingdom Global Entrepreneurship Monitor stratified random survey of 30,003 adults asked a series of questions designed to identify tortoises and hares in the start-up race. Those who were not currently trying to start or running a business were asked “At any time in the last 12 months have you spent any time trying to start a business, including any self-employment or selling goods or services to others?”. If they answered yes, they, along with all nascent and existing entrepreneurs were asked “How many months did you try to start a business?”.

Results and Implications

Äsop’s fable of the tortoise and the hare applies to nascent entrepreneurship, but with a twist. Fast nascents are far more frequent than current surveys such as PSED or GEM would suggest, but if slow nascents manage to get to the “start line” are more likely to win the race to build substantial businesses. There is considerable “fast churn” in nascent entrepreneurship: 48% of new and established entrepreneurs had started within 2 months, while 37% of those who abandoned a business startup attempt of at least 2 months duration expected to start a business within three years. Those who tried and gave up are younger on average than others. Slow nascents are less likely to give rise to established businesses, but if they start they appear to produce larger ventures, on average, than fast nascents.

CONTACT: Dr Jonathan Levie; j.levie@strath.ac.uk; (T): +441415483502; (F): +441415527602; Hunter Centre for Entrepreneurship, University of Strathclyde, Richmond Street, Glasgow, UK KA28 0BL.