YOU’VE GOT TALENT: BREAKING THE ‘BARRIERS TO LEARNING’ FROM EARLY ENTREPRENEURIAL EXPERIENCE (SUMMARY)

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Principal Topic
Entrepreneurship educators and practitioners alike often embrace the principle that experience automatically translates into improved performance in subsequent ventures. This experience-performance connection is not without any scientific basis: Research on learning curves points to a positive relationship between the two constructs, such that greater entrepreneurial experience should have a positive bearing on future performance. However, deeper investigations into this linkage have revealed more nuanced connections, such as the non-linear trajectory of entrepreneurial learning curves and the role that talent plays in translating experience into performance. As such, our research aims to uncover the specific barriers early-career entrepreneurs encounter, and to assess how and why entrepreneurial talent mitigates the negative transfer of learning. We focus on early-career entrepreneurs because their shorter careers help to both limit the unobserved heterogeneity from incomplete labor histories (often associated with inquiries into older populations) and make the initial impact of entrepreneurial experience and talent easier to identify.

Methods
To investigate our research question and test for the experience-talent effects, we analyzed two databases maintained by Statistics Sweden to assemble a balanced panel dataset for our study: RAMS, an annual registry of all firms in Sweden, and LOUISE, an annual census of all Swedish inhabitants. By linking these two datasets, we formed a rich, multi-level dataset covering an entire population of entrepreneurs from 1989 to 2002. Our analytical sample contains information on 766 individuals followed for up to 14 years after their college graduations in 1989 or 1990. These individuals started their initial ventures within three years of graduation and at least a second venture during the 14-year observation period. Our dependent variable is the financial performance of the founders’ second venture. We used random-effects regression models to take advantage of the balanced panel structure of the data.

Results and Implications
While common wisdom suggests entrepreneurial experience should translate into improved performance in subsequent ventures, our research reveals that the experience-performance link is not straightforward. Barriers to learning arise from differences in prior venture duration, complexity, and similarity, and such constraints can hamper performance in future efforts. However, entrepreneurial talent can moderate the negative effects of these barriers. Learning requires time and effort from multiple founding experiences, but those with entrepreneurial talent are the most likely to benefit from their possession of a career-spanning perspective that avoids misappropriating lessons from prior experience.

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