SERIAL ENTREPRENEURS FROM MIT (SUMMARY)

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SUMMARY

SERIAL ENTREPRENEURS FROM MIT

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Principal Topic

In this paper we explore the factors that condition the likelihood that an entrepreneur starts a second firm. We use data from survey responses of 1,789 entrepreneurs to examine firm founding behavior. Results indicate that multiple entrepreneurs differ from single-firm entrepreneurs in certain demographic and educational characteristics prior to starting a first firm. The results also show that the first firms of eventual multiple entrepreneurs differ from the first firms of single-firm only entrepreneurs. Those entrepreneurs with the highest probability of starting a second firm have greater time and access to financial resources to undertake a new venture. Starting a first firm sooner after graduation, being divorced, the first firm being acquired, and raising initial capital for the first firm from angel investors all increase the probability that the entrepreneur will start a second firm.

Method

The data come from a survey administered in 2003 to all living MIT alumni who had previously self-identified as founding at least one venture. The dataset of MIT alumni contains over 40,000 records including basic information on date of birth, country of citizenship, gender, major at MIT, highest attained degree. Out of 7,798 alumni indicating that they had founded a company, 2,111 founder surveys were completed, representing a response rate of 27.1%. We use Cox (1972) hazard regression models for our analyses.

Results and Implications

We explore the factors that condition the likelihood that an entrepreneur starts a second firm. We use data from survey responses of 2,111 entrepreneurs to examine firm founding behavior. The phenomenon of graduates embarking on careers of multiple entrepreneurship appears to be growing over time. For policymakers, our results could be used to structure programs to increase the incentives to engage first time entrepreneurs in becoming repeat entrepreneurs. The results also provide evidence of the significant economic and job growth impacts of repeat entrepreneurs relative to single-firm only entrepreneurs. Starting a first firm sooner after graduation, in an R&D intensive industry, being divorced, having a first firm undergo an acquisition, and raising initial capital for the first firm from angel investors all increase the probability that the entrepreneur will start a second firm. The results all indicate factors which increase the expected returns (financial or non-financial) and reduce the costs to reinvesting time and money back into gaining access to new business opportunities via entrepreneurial activity.

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