SERIAL ENTREPRENEURS: ARE THEY BETTER? A VIEW FROM STANFORD UNIVERSITY ALUMNI (SUMMARY)

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Principal Topic

Serial entrepreneurs are often viewed as better than novice entrepreneurs thanks to the experience accumulated with their previous ventures. But are those entrepreneurs any better if they have succeeded or failed in their previous ventures and how do they compare to one-time entrepreneurs? This paper studies the success of 445 serial entrepreneurs out of a group of more than 2'700 entrepreneurs, more specifically through more than 2'700 start-ups linked to Stanford University.

Methods

We have empirically built consistent data over the start-ups and their founders: the fields of activities, the resources provided by venture capital and other investors, the year of foundation, the year of a liquidity event if any (Initial Public Offering - IPO, Trade Sale – M&A or Cessation of Activity). The value creation is also studied in three ways: the sales, the employment and the value creation (market capitalization when the company is public or the value of the M&A if the company was acquired). Concerning the founders, we have information about their academic background at Stanford University. Thus it was possible to compare the success of 2'266 one-time (novice) entrepreneurs (creating 1'739 start-ups) and of 445 serial entrepreneurs in their first and following ventures (988 in total) respectively.

We used non-parametric methods (q-q, Kolmogorov-Smirnov) as well as classical Student tests and regression analyses to compare serial and one-time entrepreneurs on the following questions: value creation in terms of M&A or market capitalizations of public companies as well as available resources through venture capital.

Results and Implications

The article show striking results that could be used as benchmarks when dealing with serial entrepreneurs. As a simple summary, serial entrepreneurs are not better than one-time entrepreneurs and on average do worse with their new ventures than with the previous ventures. They also raise more money through venture capital with their new ventures and compared to one-time entrepreneurs, with the exception of their first venture, when they raise less money than one-time entrepreneurs. Finally, they are better in their new ventures when they had a common investor in the new and previous company.

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