NOVICE, PORTFOLIO, AND SERIAL FOUNDERS: ARE THEY DIFFERENT?

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EXECUTIVE SUMMARY

There is growing interest in entrepreneurs who have been involved in more than one venture, yet to date there has been relatively little theoretical development and systematic empirical examination of the topic. In particular, there has been little attention to the potential heterogeneity of habitual entrepreneurship. This study aims to contribute to this emerging area in two ways. First, it outlines a conceptual typology of habitual entrepreneurs who have founded, purchased, or inherited businesses. Second, the empirical part of the study focuses on owner-managers, providing an exploratory analysis of the characteristics and effects of independent business ownership by novice, portfolio, and serial founders. Novice founders are those that have no prior entrepreneurial experience as either a founder, an inheritor, or a purchaser of a business. Portfolio founders retain their original business and inherit, establish, and/or purchase another business. Serial founders are those who sell their original business but at a later date inherit, establish, and/or purchase another business.

The study derives propositions suggesting differences among the three types of founders. At the individual founder level of analysis, similarities as well as differences in the personal background, work experiences, reasons leading to the start-up of businesses, and personal attitudes to entrepreneurship of these three types of entrepreneurs are explored. At the organizational level of analysis, finance, employment and performance differences among the businesses owned by the three types of entrepreneurs are presented.

The issues are examined using a sample of entrepreneurs who were the principal owner-managers of independent businesses in Great Britain. The sample included 389 novice founders (62.6%), 75 portfolio founders (12.1%), and 157 serial founders (25.3%). No statistically significant differences were found among the three groups of entrepreneurs with regard to the main industrial activity, geographical location,

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and the age of their businesses. Univariate and multivariate tests were used to examine potential differences between the groups.

The results of the study show significant differences between portfolio and serial founders with regard to their parental background, work experience, and their age when they started their first business. Differences were also found with respect to reasons leading to start-up, personal attitudes to entrepreneurship, and sources of funds used during the launch period of the surveyed business. These findings suggest that habitual entrepreneurs cannot be treated as a homogeneous group. The analysis, however, failed to find any significant differences between the performance of the surveyed firms owned by habitual founders and novice founders and between the two types of habitual founders.

The findings of the study indicate for researchers that there is a need to carefully define the unit of analysis in any examination of entrepreneurs. In particular, there is a need to take note of the heterogeneity of types of entrepreneur and to consider the entrepreneur as the appropriate unit of analysis rather than simply the firm. Although this study focused on habitual founders of businesses, the theoretical section of the study also identified other types of habitual entrepreneurs, such as serial corporate entrepreneurs and serial management buy-out and buy-in cases. These other types of habitual entrepreneurs would appear to warrant further analysis.

The findings of this study have a number of implications for practitioners, especially venture capitalists. The absence of significant performance differences between novice and habitual entrepreneurs, which is consistent with the results from other studies, emphasizes the need for venture capitalists screening potential investees not to rely solely on previous experience.

The study also has implications for policy-makers, especially with respect to decisions concerning the allocation of resources to assist nascent entrepreneurs, novice entrepreneurs, and habitual entrepreneurs. The similarities in business performance among novice, serial, and portfolio entrepreneurs suggests that policy-makers need to be careful in targeting scarce resources. Most notably, targeting resources to encourage talented nascent entrepreneurs to become novice entrepreneurs may offer returns which are at least as good as targeting resources to more experienced entrepreneurs.

INTRODUCTION

Starting a new business and/or owning and managing an independent business is an important career option for many people (Scott 1990; Dyer 1994). To encourage innovativeness, competitiveness, wealth creation, job generation and local and regional development (Reynolds et a1. 1994), governments in industrialized countries have introduced programs and initiatives (De Koning and Snijders 1992) to increase the willingness and/or opportunity for individuals to become self-employed or establish businesses with employees (Van Praag and Van Ophem 1995). In recent years, many individuals have made the transition from being nascent entrepreneurs, that is in the position of considering starting a business (Carter et al. 1996) and have actually established new businesses. As a result of higher new firm entry rates than firm exit rates (Keeble and Walker 1994; Westhead and Birley 1994), the number (or stock) of businesses in the total United Kingdom economy has increased (Daly 1991). However, this increase in the creation of new businesses is not necessarily a reliable indicator of the development of entrepreneurship in an economy. This study addresses an important part of this issue. In particular, we draw attention to the need to focus on the behavior of individual entrepreneurs in a variety of settings that extend beyond one-time start-ups to include the purchase and inheritance of a firm as well as the ownership of multiple entrepreneurial ventures. Consideration of this broad context of entrepreneurship permits the development of a framework for the analysis of habitual entrepreneurs.

As they are easier to identify and monitor over time, many researchers have explored the nature of entrepreneurship by focusing upon the formation and development of organizations, using a variety of frameworks (Pfeffer and Salancik 1978; Gartner 1985; Van de Ven et al. 1989; Vesper 1990; Hannan and Carroll 1992). Studies focusing on new firm births as the primary dependent variable have implied that the nature of entrepreneurship simply involves getting into business (Reynolds and Miller 1992). Birley and Westhead (1994a, p. 57) during their comparison of novice and habitual founders, however, concluded, "if the business is the sole unit of analysis there is a threat that the value of the new venturing event will be underestimated. It also indicates that future attempts to explain business growth should incorporate the possibility that owner-managers may attempt to resolve their personal materialistic aspirations through the growth of further multiple business operations, which may not be directly related to the single unit of analysis being studied."

Studies of individuals (such as the self-employed and owner-managers) have implied that the nature of entrepreneurship involves issues of ownership and control as the primary dependent variable (Steinmetz and Wright 1989). Gartner and Shane (1995) also suggested that the scale and nature of entrepreneurship in an economy can be influenced by whether the focus is upon individuals or organizations. In doing so they focused upon Hawley's (1907) theory of entrepreneurship, which argued that in order to obtain an income or profits, an entrepreneur must be the owner-manager of the organization; without such rights an entrepreneur would be unable to make decisions about the successful coordination of scarce resources.

Recognition of the importance of ownership emphasizes the potential for entrepreneurship to be extended from start-ups to cases where individuals purchase a firm (Cooper and Dunkelberg 1986; Robbie and Wright 1996) and/or where they have inherited the business from the original founder (Westhead and Cowling 1996). In addition, the introduction of direct equity ownership through stock options and managerial equity holdings in subsidiaries of groups emphasizes the importance of an ownership interest in the firm for corporate entrepreneurship to be enhanced.

In considering individuals, however, many studies have focused upon people in work situations when developing career theory and exploring the nature of entrepreneurship (Schein 1978; Pickles and O'Farrell 1987; Dyer 1994; Katz 1994). Following Smith (1967), Woo et al. (1991) examined the notion that based on their characteristics, entrepreneurs can be broadly divided into craftsmen and opportunists. They concluded that the grouping of entrepreneur types was dependent on the sample of firms involved and the method of analysis used to group entrepreneurs. In contrast, Gartner and Starr (1993) argued that it is specific patterns of interlocked behaviors among individuals that influence the creation of an organization.

Whether analysis focuses on individuals or organizations, there is a need to recognize that entrepreneurship may not be a single-event action. More recently, researchers have focused upon the characteristics of novice and habitual founders. Ronstadt (1982) suggested many entrepreneurs start several businesses before launching a successful business. Survey evidence has revealed approximately a third of owner-managers are habitual founders because they have prior business founding experience (Birley and Westhead 1994a). Habitual founders are, therefore, an important phenomenon. Moreover, there is growing recognition that studying habitual founders may yield important insights into the nature of entrepreneurial characteristics and into the nature of entrepreneurial behavior (Anonymous 1986; Starr and Bygrave 1991). There is, as yet, no evidence to support the hypothesis that habitual founders run more successful businesses than novice founders who have only established/owned only one business. In addition, research surrounding the habitual owner-manager phenomenon has not so far explored systematically the nature of habitual entrepreneurship, nor the consequences of its differing manifestations. It should also be borne in mind that a subset of current novice entrepreneurs will become portfolio or serial entrepreneurs, which may blur the distinction between types.

Starr and Bygrave (1991) have, nevertheless, drawn attention to issues surrounding the assets and liabilities of habitual entrepreneurship, although they do not distinguish different types of habitual entrepreneurship. Dyer's (1994) work on entrepreneurial careers is also couched very much in terms of its development in a growing business over time rather than the shift from one venture to another or the multiple creation or purchase of ventures. Whereas there is a growing literature that appreciates there are different "types" of owner-managed independent firms (Birley and Westhead 1990; Westhead 1990, 1995a) very few studies have, however, been conducted that have explored the behaviors of novice and habitual owner-managers (Birley and Westhead 1994a) and serial and portfolio owner-managers (Wright et al. 1995).

The purpose of this study is to address this research gap. As intimated above, in the theoretical and empirical literature on entrepreneurial behaviour there is a growing recognition of the need to carefully define the terms being used, since these may have a major impact upon the generation of research hypotheses, the interpretation of empirical results, and ultimately to our understanding of the entrepreneurial phenomenon.

As yet, there is no generally accepted definition of a "habitual" entrepreneur (Starr and Bygrave 1991). A variety of definitions have been used which makes comparative analysis difficult. Donckels et al. (1987, p.48) claimed, "Multiple business starters are entrepreneurs who, after having started a first company, set up or participate in the start-up of (an) other firm(s)." Kolvereid and Bullvåg (1993) adopted a narrower and more conservative definition of experienced business founders. They suggested experienced business founders have established more than one business and they still owned the most recent business prior to the start-up of the current new independent venture. A wider definition of habitual founders was, however, used by Birley and Westhead (1994a, p.40) who suggested, "'habitual' founders had established at least one other business prior to the start-up of the current new independent venture." Hall (1995, p.220) has also divided habitual entrepreneurs into serial and portfolio entrepreneurs. Most notably, "There are those owners who own one business after another but effectively only own one business at a time. Previous businesses may have been sold, closed, or had a legal outcome. These owners can be classified as serial owners. There is another category of habitual owner in which the owners own more than one business at a time. These are portfolio owners."

Two types of habitual founder behavior are identified in this study. Serial founders are defined as those who sell their original business but at a later date inherit, establish, and/or purchase another business (Beresford 1996). A portfolio founder, however, retains his/her original business and inherits, establishes, and/or purchases another business. The characteristics of serial and portfolio founders and their independent small firms will be compared with one another in this study. In addition, these two groups of habitual founders will be compared with novice founders who at the time of the survey had established only one independent business. Founders in this novice category may themselves at a later date become serial or portfolio founders.

To focus upon the characteristics of habitual founders, the article is structured as follows. Theoretical frameworks and empirical studies are summarized to identify a

TABLE 1 Categorization of Multiple or Habitual Entrepreneurship

Ownership Status	Multiple Entrepreneurship Involving Existing Firms	Multiple Entrepreneurship Involving New Firms
Ownership change between ventures	Quadrant 1 Inheritors/serial management buy-out/management buy-in	Quadrant 2 Serial start-up
No ownership change between ventures	Quadrant 3 Multiple corporate entrepreneurship	Quadrant 4 Portfolio entrepreneurship

broad conceptual categorization of habitual entrepreneurs, which includes founder, inheritor, and purchaser entrepreneurs as well as corporate entrepreneurs. The analysis is then extended to identify behavioral differences among novice, serial, and portfolio founders as well as differences among their businesses. Propositions are derived suggesting differences between the three types of founders and their businesses. At the individual founder level of analysis, similarities as well as differences in the personal background, work experiences, reasons leading to the start-up of the surveyed business, and personal attitudes to entrepreneurship between the three defined types of founders will be explored. At the organization level of analysis, finance, employment, and performance differences among the three types of businesses will be presented. This latter focus is important ‘‘because the quantity of entrepreneurial profit is determined, not by the number of individuals involved in each organization, but by the number of organizations that create the surplus of revenues over costs’’ (Gartner and Shane 1995, p.294). The subsequent section describes the data collection methodology. Results from the univariate and multivariate analyses are then presented, and derived propositions are formally tested. The final section presents our conclusions and suggestions for further research.

THEORETICAL PERSPECTIVES

Habitual entrepreneurship can be viewed along two broad dimensions, whether entrepreneurship involves a new or existing business and whether or not there is a change of ownership between ventures (Table 1). This framework thus includes habitual entrepreneurs who are founders, inheritors, or purchasers of businesses or who have undertaken multiple actions as corporate entrepreneurs. In our opinion, this framework opens up a broad empirical agenda, but as will be seen below, the empirical part of this study focuses only on founders rather than inheritors/purchasers of businesses.

In discussing habitual or multiple business founders, but not purchasers, Hall (1995) distinguished portfolio owners (quadrant 4 of Table 1), where ownership of the first venture is maintained when a subsequent venture is embarked upon, from serial owners who dispose of one venture before founding another (quadrant 2). Although there is some evidence to show that habitual entrepreneurship is extensive (Birley and Westhead 1994a), little empirical research has distinguished between these two types of owners or embraces other forms of entrepreneurship beyond start-ups. A noteworthy exception is the empirical work conducted by Kolvereid and Bullvåg (1993) who examined portfolio founders who started more than one business. Surprisingly, these researchers explicitly excluded from their analysis businesses where the founder may have sold a business entity before or as well as embarking on another one.

This study argues that it is important to address these issues, because entrepreneurship is a heterogeneous phenomenon, which in turn has implications for expectations about its nature and effects. In the light of the recent developments in the notion of entrepreneurship, these categories can be broadened to include the inheritance and/or purchase of an existing firm after the first business is sold (quadrant 1). Serial entrepreneurs may have exited from an initial business when entrepreneurial opportunities are perceived to have been exhausted. These entrepreneurs have, however, searched for new possibilities through the inheritance, establishment, and/or purchase of another business. There is also, a somewhat erroneous, strand in the literature that suggests that serial entrepreneurship only takes place after the first venture has failed.

Corporate entrepreneurship involves managers creating new combinations of resources in existing firms (Block and MacMillan 1993; Guth and Ginsberg 1990). Multiple corporate entrepreneurship may occur within the same firm with individual managers undertaking repeated entrepreneurial actions (quadrant 3). Managers in such organizations may be remunerated at least in part by direct ownership stakes in the business, either through stock options or through direct ownership in the subsidiary of a larger group where they are employed.

It should also be borne in mind that Table 1 effectively relates to ‘‘pure’’ habitual entrepreneurship cases where entrepreneurs obtain controlling interests in subsequent businesses. Between these four pure types, a range of intermediate types can be identified. Entrepreneurs building a portfolio of ventures may dispose of some of them over time thus introducing a serial element to their behavior. Rather than becoming involved in further ventures as a full/controlling owner, entrepreneurs as individuals may use wealth generated from initial ventures to acquire minority stakes in ventures controlled by other entrepreneurs, so fulfilling a role as habitual or serial business angels. There may also be some blurring of the distinction between portfolio and multiple corporate entrepreneurs. Institutional and legal frameworks may provide entrepreneurs with the incentive to create new legal entities rather than engage in additional entrepreneurial behavior in the existing firm. For example, this may be a means of diversifying into risky ventures while avoiding potentially damaging effects on the initial entity if it fails (Scott and Rosa 1996). Between pure management buy-outs and corporate entrepreneurship is the case where rather than disposing fully of subsidiaries, corporations retain majority equity ownership but remunerate managers with a significant direct minority stake in the subsidiary where there is a clear role for specific entrepreneurial skills. Such actions may then be repeated in other new ventures of this type with the same entrepreneurial individuals.

Clearly, the categories identified in Table 1 suggest a broad research agenda, which is beyond the scope of a single article. The empirical part of this study focuses on entrepreneurs who are founders rather than purchasers of businesses or corporate entrepreneurs. In particular, we examine differences both between novice founders and multiple start-up cases (quadrants 2 and 4) and between serial and portfolio founders. Propositions to be tested in this exploratory article are derived in the following section.

DERIVATION OF PROPOSITIONS

Research on the traits, characteristics, and motivations for entrepreneurship suggests differences between contrasting types of entrepreneurs are to be expected. For example, Woo et al. (1991) have provided an analysis of the craftsman / opportunist categorization in start-up businesses. In addition, Robbie and Wright (1996) showed that whereas novice buy-out entrepreneurs were more likely to exhibit craftsman type characteristics, buy-in entrepreneurs were more likely to exhibit opportunist characteristics, though both buy-outs and buy-ins entrepreneurs displayed both types of characteristics. There have been suggestions that buy-out and buy-in entrepreneurs (Wright and Coyne 1985; Robbie and Wright 1996) differ in relation to length of managerial career and age at which they started a business from novice entrepreneurs. These differences may, however, be blurred if some current novice entrepreneurs become habitual entrepreneurs in the future.

During their study of novice and habitual independent firm founders, Kolvereid and Bullvåg (1993) noted that very few women become habitual entrepreneurs. Supporting the evidence presented by Donckels et al. (1987) they also found habitual entrepreneurs were more likely to have obtained higher education qualifications. As found elsewhere (Birley and Westhead l994a), Kolvereid and Bullvåg (1993) noted habitual founders started their first business at a younger age than novice founders. Although a priori it is difficult to identify potential differences between portfolio and serial founders on the grounds of qualifications and age, the greater complexities likely to emerge in managing a portfolio of businesses rather than in selling one and founding another, suggests that portfolio founders may have a background that has greater exposure to managerial issues. The resources required to finance and the complexities involved in running and developing a portfolio of businesses suggests that these founders may require contributions from a greater number of partners than is the case for serial or novice founders. Although serial founders may have created wealth on exit and may seek to found larger businesses, these may not necessarily involve the level of complexity expected in a portfolio of businesses. This evidence yields the following propositions:

P1a: Novice founders were less likely to be as highly educated as habitual founders.

P1b: Novice founders were more likely to be female than habitual founders.

P1c: Novice founders were less likely to be drawn from a managerial and business parental background than habitual founders.

P1d: Portfolio founders were more likely than serial and novice founders to have a greater number of partners in their surveyed businesses.

P1e: Novice founders were more likely to be older when starting their first venture than habitual founders.

As a result of prior business experience, many habitual entrepreneurs have developed skills and competencies, a rolodex of network contacts, a business reputation, and a track record. However, the development of a portfolio of businesses, as in the case of portfolio entrepreneurs, suggests a need for greater managerial skills than might be expected in the case of novice and serial entrepreneurs. Hence, it is expected that these entrepreneurs were more likely to have had a managerial or an executive position immediately prior to start-up (Donckels et al. 1987). As intimated above, because habitual founders are drawn from more resourceful backgrounds they are more likely to have developed contacts and networks with potential partners and sources of resources (such as financiers, suppliers, customers, etc.). Supporting this viewpoint, Kolvereid and Bullvåg (1993) found firms established by portfolio founders generally had two or more partners or shareholders.

Serial entrepreneurs, by definition, move from one specific economic activity to another to achieve personal objectives. This type of habitual founder generally places greater emphasis on achieving a particular goal and receiving recognition for it which is crystallized through the act of disposal. As the serial entrepreneur is expected to grow businesses to a certain stage and then exit them, it is anticipated that such ventures are likely to be smaller than those in which portfolio entrepreneurs are involved. It may also be expected that serial founders have work experience backgrounds involving employment in a larger number of organizations with periods of self-employment. Notions that places of employment often act as incubators for individuals seeking to found a business (Cooper 1985) suggest that novice founders are more likely to start a business in the same sector as their last employer. Drawing upon their previous business founding experience, habitual entrepreneurs may be more likely to perceive opportunities and have the confidence to start businesses in sectors that are not related to the activities of their last employer. This discussion suggests the following propositions:

> *P2a:* Novice founders were more likely to have worked for fewer organizations than portfolio and serial founders prior to the start-up of the surveyed business.
>
> *P2b:* Serial founders were more likely to have worked in a smaller firm prior to founding their latest business than portfolio or novice founders.
>
> *P2c:* Novice founders were more likely than portfolio and serial founders to have founded a business in the same industry as their last employer.

The initial reasons leading to the start-up of a new venture can, in part, influence the development trajectory of a business (O'Farrell and Hitchens 1988). Entrepreneurs who desire to create a successful and large independent organization of their own, rather than pursuing a managerial career in a large organization owned by somebody else, may have motivational characteristics associated with a need for independence, a need for personal development, and a perceived instrumentality of wealth (Scheinberg and MacMillan 1988; Birley and Westhead 1994b).

Drawing upon case study evidence, Wright et al. (1995) found three different categories of serial behavior with individuals having differing objectives for their businesses. Portfolio entrepreneurs may establish a new business for a variety of reasons. Some of these reasons may be concerned with circumventing legislation, for example, labor laws that may only become effective above a certain size level. Strategically, they may create a new business entity as a means of diversifying their activities. Whereas independence is a strong reason for starting a first business, a variety of other more materialistic reasons (for example, to increase market possibilities, diversification, tax reasons, enlarge business property for the family, etc.) come to the fore when a founder establishes a subsequent business (Donckels et al. 1987; Gray 1993).

Following Smith (1967) and Schein (1978), Katz (1994) has also suggested, the prototypical autonomy-oriented individual (or craftsman entrepreneur) will tend to emphasize freedom rather than financial or status achievement when starting a business. Further, issues of market opportunity (exchange) or asset accumulation (resources) are less likely to be the dominant reasons leading to the start-up of a business. Such a person, when employed by others, is less likely to change jobs to increase his or her level of autonomy. When they own a business, they generally limit the size of the business and grow it to a psychologically comfortable level. By adopting this strategy, a consistent living is provided for the owner and it ensures that the venture can be personally managed and controlled. Katz (1994) has suggested if this type of individual has multiple episodes of self-employment, they are handled one-at-a-time. This group of individuals are, therefore, more likely to be novice or serial founders.

Individuals who pursue entrepreneurial careers for greater pay and/or status are more likely to be opportunist entrepreneurs. Further, this type of entrepreneur is more likely to be pulled into entrepreneurship by the external pressures of market (exchange) or wealth (resources) (Katz 1994). Opportunist entrepreneurs own businesses generally for the pursuit of growth and wealth creation, and they are more likely to adopt legal structures that minimize financial growth constraints. Because of the need for greater pay and/or status, opportunist entrepreneurs operate businesses with high levels of sales revenue and employment growth. Katz (1994) has suggested if this type of individual has multiple episodes of self-employment, they generally have more than one business going at the same time. This latter individual is, therefore, more likely to be a portfolio founder. Accordingly, this evidence yields the following propositions:

> *P3a:* Novice founders were more likely to emphasize a need for independence when starting the surveyed business.
>
> *P3b:* Portfolio founders were more likely to emphasize a perceived instrumentality of wealth when starting the surveyed business.
>
> *P3c:* Portfolio founders were more likely to emphasize tax reduction and indirect benefits when starting the surveyed business.

Cultural values can influence the predisposition of individuals to become entrepreneurs (Shapero and Sokol 1982). Four underlying dimensions of culture have been identified by Hofstede (1980) as power distance (management of inequality between people), individualism (relationship between individuals and collectives), uncertainty avoidance (stance toward the future), and masculinity (allocation of roles between the sexes). Using these concepts, McGrath et al., (1992) were able to empirically discriminate between the cultural values of entrepreneurs and nonentrepreneurs. This study, however, failed to distinguish among the cultural values of novice, portfolio, and serial founders.

Nevertheless, with regard to personal attitudes to entrepreneurship, Kolvereid and Bullvåg (1993) have argued that the creation of multiple businesses may arise where opportunities for growth in existing businesses are restricted. Scott and Rosa (1996) have also provided evidence that suggested portfolio entrepreneurs have created new legal entities as a means of testing new products in the knowledge that if a new business fails, its loss could be insulated from the other firms that they own. Portfolio entrepreneurs may, however, focus insufficient attention on each of their individual ventures and experience either uncontrolled or weaker growth. As noted earlier, serial founders placing greater emphasis on achieving a particular goal may be seen as attempting to reduce uncertainty by crystallizing their gains through venture disposal. For these reasons it is proposed:

> *P4:* Serial founders may be more cautious in their approach to entrepreneurship, preferring to seek opportunities with lower degrees of uncertainty.

Different types of entrepreneurs may use contrasting sources of finance during the launch period. As intimated above, habitual founders if successful may be expected to have greater access to funds than novice founders. Serial founders who have successfully exited from their initial venture may have generated sufficient funds to use personal resources to finance their subsequent venture(s). If serial founders are not successful in their first venture, they may still be able to raise funds as evidence suggests that venture capitalists seek evidence of an ability to succeed the next time around and not just previous experience per se (Wright et al. 1997). Hence, we would expect novice founders without an established track record to rely upon personal savings, family, and friends as a source of launch finance. Whereas portfolio founders who have not exited from their earlier venture(s) may be able to lever up resources from the existing business and with their established track record may also make use of finance from existing customers and suppliers.

Habitual entrepreneurs may be expected to become involved in ventures the second time around that are larger than those begun by novices. To achieve ownership of a larger business, serial entrepreneurs may purchase rather than start-up their second venture. In such cases the entrepreneur may be able to leverage his/her personal wealth with funds from venture capitalists, whereas venture capitalists typically (in the United Kingdom at least) have an aversion to funding start-ups. Portfolio founders who by definition retain at least part of their trading activities may also be able to leverage funds from trading partners to develop new ventures. In contrast, serial founders who have relinquished their equity stakes in previously owned businesses currently have no trading partners to leverage-up. This evidence yields the following propositions:

> *P5a:* Serial founders, especially previously successful ones, were more likely to have used personal savings, family, and friends as a source of start-up finance during the launch period of their present venture (which is subsequent to their first venture) than novice and portfolio founders.
>
> *P5b:* Portfolio founders were more likely to have used banks and financial institutions as a source of start-up finance during the launch period of their present venture (which is subsequent to their first venture) than novice and serial founders.
>
> *P5c:* Portfolio founders were more likely to have used customers and suppliers as a source of start-up finance during the launch period of their present venture (which is subsequent to their first venture) than novice and serial founders.

Entrepreneural experience may lead to increased performance in subsequent ventures. Enhanced performance may be measured in terms of faster sales and employment growth, greater profitability and greater profitability in relation to competitors. Experience may be expected to bring the skills required, including marketing and financial expertise, to identify and serve market segments that have both growth potential and profit possibilities. Experienced entrepreneurs founding a new business in the same sector as their previous/current venture are also likely to be in a relatively stronger position by virtue of that experience than novice founders. In addition, they may be able to identify more clearly what is required to earn profits in the selected market(s). However, Starr and Bygrave (1991) have suggested experience may bring liabilities as well as assets. These liabilities may retard the performance of subsequent ventures. Subsequent ventures may, therefore, not perform better than the first business. For serial entrepreneurs it may be difficult to find a further successful venture, despite the fact that an earlier venture was a success. If they seek to purchase another venture, they may need to engage in an extensive search process to find a venture that matches their skills and which has the potential to achieve significant returns. Not surprisingly, this process carries with it the dangers of asymmetric information between the vendor and the outside entrepreneur which may still persist even among those with experience (Robbie and Wright 1996). If they seek to found a new venture, experienced entrepreneurs face the problems both of identifying another successful idea and may attempt to repeat actions that were successful in an earlier venture in new circumstances that are quite different. Evidence from venture capitalists' screening of experienced entrepreneurs indicates that failure to find a suitable project the next time around is an important reason why experienced entrepreneurs may not be funded again from this source (Wright et al. 1995). However, such entrepreneurs may fund further ventures themselves in the optimistic but mistaken belief (hubris) that they can repeat their success, yet may attempt to repeat previously successful actions in a changed environment.

Faster business growth and greater profitability may be expected to be associated with experienced entrepreneurs because, as intimated above, they are more likely to be opportunistic type entrepreneurs. Supporting this viewpoint, Donckels et al. (1987) during their study of the first businesses started by novice and multiple business starters found businesses established by multiple business starters were markedly larger in employment size at start-up as well at the time of the survey. In marked contrast, with reference to the last business started by novice and portfolio founders, Kolvereid and Bullvåg (1993) were unable to identify performance differences between the two groups of independent firms. Similarly, Birley and Westhead (1994a) found no evidence that new independent businesses established by habitual founders were particularly advantaged compared to those established by novice founders. At this point, it is acknowledged that in order to fully identify performance and growth differences there is a need to consider all the businesses owned by habitual entrepreneurs rather than just the current business. These findings are consistent both with evidence that there are no significant performance differences between craftsman and opportunist entrepreneurs (Woo et al. 1991). Further, serial entrepreneurs may display heterogeneous characteristics and are not strongly growth or profit maximization oriented. Nevertheless, the following tentative propositions are suggested:

P6: Portfolio and serial founders were more growth oriented than novice founders.

P7: Surveyed firms owned by portfolio and serial founders had performed better than firms owned by novice founders.

DATA COLLECTED

Empirical data presented in this exploratory study were derived from a wider international study of founders of new ventures (Shane et al. 1991, Birley and Westhead 1994a). The data were collected in late 1990 and early 1991. The approach adopted in this study appreciated the differential importance of various social influences at significant points in an individual's life cycle with a consequent effect on the start-up process (Cooper 1981; Gibb and Ritchie 1982). This study was, however, not designed specifically to compare novice, serial, and portfolio founders. Nevertheless, the research instrument presented to the principal founders of responding independent businesses enabled us to identify these three types of firm founders.

Reflecting the increased recognition of the importance of locational considerations in the functioning of the economy and spatial variations in business formation, survival, and growth (Westhead and Moyes 1992; Keeble and Walker 1994; Reynolds et al. 1994), 12 contrasting locations in Great Britain were selected. They included government-designated assisted areas (Birley and Westhead 1992); rural and urban environments (Westhead 1995b); areas associated with specialized declining traditional heavy industries and high concentrations of external ownership, particularly in manufacturing industry; localities with high personal disposable income and high service new firm formation; and areas with strong and varied enterprise promotion through the activities of enterprise agencies and development agencies.

Because there is no comprehensive list of independent firms in Great Britain, a pragmatic approach was taken in the construction of the survey frame. Based on the assumption that local economic development units were most likely to be concerned about the profile of their business population, regional and borough business directories were taken as the primary data source. Lists of potential independent businesses were identified. These lists were cleaned, and community businesses and the subsidiaries and branches of companies were excluded.

After this data cleaning, a list of 4,914 names and addresses of potential independent new and small businesses was identified. Questionnaires were sent by post over a 6-month period (1.10.90 to 31.3.91) to the principal owner-managers of these businesses [a full discussion of the limitations of the methodology have been presented in Birley and Westhead (1992)]. Some 744 questionnaires were returned, of which 621 questionnaire responses covered businesses between 1 and 50 years of age and the respondents had specified their age when they had started their first business. It was not possible to make any sensible calculation regarding response rates or, as noted above, about the representativeness of the sample as a whole. Indeed, as argued in this study, it is difficult to be clear as to whether the characteristics of the owner-manager as opposed to those of the firm should be the appropriate criteria for judging the latter (Westhead and Birley 1995). Nevertheless, at a two-digit Standard Industrial Classification (1980) minimum list heading level (frequently used by government departments in the United Kingdom), no statistically significant response bias was detected between the respondents and nonrespondents. On this criterion, we have no cause to suspect this sample of independent firms was not a representative sample. However, the response rates were generally higher in government-designated assisted areas (Birley and Westhead 1992). Therefore, the results from the questionnaire survey are most appropriately to be seen as suggestive rather than representative (O'Farrell and Hitchens 1989).

In total, 389 businesses (62.6%) involved novice or one-shot founders, that is the business concerned was the first to be established by the key founder. A further 75 businesses (12.1%) involved portfolio founders, where the key founder had owned two or more businesses and still owned the first business. The remaining 157 businesses (25.3%) were serial founders who had owned two or more businesses but who did not now own the first business. Of the serial founders, 61 (9.8%) founders had sold their first business, whereas the remaining 96 founders (15.5%) had either closed it or had other reasons for not still owning it. In comparison, in their study of 248 new firms in Norway, Kolvereid and Bullvåg (1993) found 132 firms were owned by novice founders (53%) whereas a further 77 firms (31%) were owned by multiple business starters (or portfolio founders) who still owned their first business start-up. The level of portfolio business ownership in the Norwegian sample is, therefore, far higher than the level reported in the British sample. Locational, sectoral, and age of business differences in the composition of the two samples may, in part, explain this marked difference. Further, reflecting a common weaknesses of prior research in this area (Donckels et al. 1987; Kolvereid and Bullvåg 1993; Birley and Westhead 1994a), the characteristics of the other businesses owned by portfolio owner-managers were not collected. As a result, the full economic contribution of portfolio owner-managers cannot be assessed by this study.

Tests were carried out on three demographic attributes of the businesses in the sample (their main industrial activity, the location of the businesses primary operational premises, and age of the businesses since they received their first orders) to examine whether there were significant differences that might contaminate the analysis (Gartner 1989). No statistically significant differences were identified among the groups of novice, portfolio, and serial founder firms with regard to these three demographic attributes. Over 52% of firms in each of the groups were engaged in service activities (59.9%, 56.0%, and 52.2% of novice, portfolio, and serial firms, respectively) ($\chi^2 = 16.44$; $df = 6$, significance level = 0.172). A slightly larger proportion of portfolio firms were located in rural areas (those located in an area with less than 10,000 people), although not in a statistically significant direction (26.2%, 32.0%, and 22.9% of novice, portfolio, and serial firms, respectively) ($\chi^2 = 2.18$; $df = 1$, significance level = 0.337). In addition, no marked differences in the age of businesses since they received their first order was recorded (on average 7.3, 6.2, and 6.9 years of age for novice, portfolio, and serial firms, respectively) (F = 1.17, significance level = 0.310).

TESTING THE PROPOSITIONS

Univariate Analysis

Chi-square and one-way analysis of variance (ANOVA) tests were conducted to identify statistically significant differences between founders and firms in the three ownership type groups. Chi-square analysis was used to identify differences among the three types with regard to variables measured at a nominal level, whereas ANOVA was used in relation to variables measured at an interval level. In total, data were collected on 95 variables that characterize the founder and the firm [for a summary description see Birley and Westhead (1992)]. Dichotomizing among the three founder types statistically significant differences were observed for only 25 variables (26%). Statistically significant differences among the three groups of entrepreneurs–novice, portfolio, and serial—are detailed in Tables 2 to 10, with notes to the tables indicating the existence of significant differences between pairwise combinations of these three founder types. Given the exploratory nature of the study, it is the intention to identify issues that may be important in the context of either a fuller replication analysis and/or in another country context. Accordingly, we report significance tests up to the 0.1 level in order to minimize the potential problem that important variables may be overlooked using the more conventional 0.05 level of significance.

Personal Background of the Founder

No statistically significant differences were recorded among the three founder types with regard to the education level of the founder. As a result, proposition P1a cannot be supported.

Whereas over 87% of the founders in each of the groups were male, as expected, a significantly smaller proportion of habitual founders, particularly serial founders, were females (row 1 in Table 2). In addition, a significantly larger proportion of portfolio founders rather than novice and serial founders were drawn from a managerial parental background (row 2). Novice founders, however, were significantly more likely than se-

TABLE 2 Personal Background of the Founder Contrasts by Type of Key Founder

Variable	Novice Founders No.	Novice Founders %	Portfolio Founders No.	Portfolio Founders %	Serial Founders No.	Serial Founders %	χ^2 Statistic	Significance Level
1. Sex of key founder[b]							5.05	0.0801
Male	341	87.9	68	90.7	148	94.3		
Female	47	12.1	7	9.3	9	5.7		
2. Occupational status of key founder's parents (i.e., the main income earner) during childhood—manager[a,c]							10.16	0.0062
No	344	88.4	59	78.7	146	93.0		
Yes	45	11.6	16	21.3	11	7.0		
3. Occupational status of key founder's parents (i.e., the main income earner) during childhood—unskilled employee[b]							4.63	0.0986
No	344	88.4	69	92.0	148	94.3		
Yes	45	11.6	6	8.0	9	5.7		
4. Number of shareholders or partners in the surveyed small firm[a]							7.64	0.0220
1	155	39.9	18	24.0	52	33.5		
≥2	253	60.1	57	76.0	103	66.5		

[a] Statistically significant difference between novice and portfolio founders at least at the .1 level.
[b] Statistically significant difference between novice and serial founders at least at the .1 level.
[c] Statistically significant difference between portfolio and serial founders at the .1 level.

rial founders to be drawn from an unskilled employee parental background (row 3). Propositions P1b and P1c are, therefore, supported.

Portfolio owners may be able to found and own multiple businesses because they use partners, whereas the novice and serial entrepreneurs found their businesses alone. This team aspect of entrepreneurship may be important in providing the skills and resources needed to maintain ownership of multiple businesses (Slevin and Covin 1992). As expected, habitual founders, particularly portfolio founders, were significantly more likely to have established their new businesses with an additional shareholder or partner (row 4). Additional research needs to clarify whether joint ownership is the key to the ability to ownership of multiple businesses. Nevertheless, proposition P1d is tentatively supported.

As anticipated, portfolio and serial founders were significantly younger than novice founders when they started their first business with little difference found between the average age of two types of habitual founders (row 1 in Table 3). However, at the time of the survey, novice founders were significantly younger than habitual entrepreneurs, with serial founders being markedly older than novice as well as portfolio founders (row 2). Proposition P1e is therefore supported.

Work Experience of the Founder

Founders were asked to report on their work experience before the start of the business being surveyed in this study. The results in some instances relate to lifetime prior work experience. As expected, habitual founders, particularly serial founders, had worked for more organizations before the start-up of the surveyed business (row 3 in Table 3). The differing ages of the types of entrepreneur may, however, be a confounding factor.

TABLE 3 Analysis of Variance Test Differences between Founders and Small Firms by Type of Key Founder

Variable	Novice Founders	Portfolio Founders	Serial Founders	Analysis of Variance F Statistic	Significance Level
1. Age of key founder when started first business[a,b]				31.56	0.000
Mean	35.1	29.6	29.1		
Median	34.0	30.0	29.0		
2. Age of key founder at the time of the survey[b,c]				6.60	0.001
Mean	41.4	42.3	44.9		
Median	41.0	43.0	45.0		
3. Number of different organizations key founder has worked for on a full-time basis[b]				4.73	0.009
Mean	4.1	4.8	5.2		
Median	3.0	4.0	4.0		
4. Number of sources of start-up capital used during the launch period of surveyed small firm[b]				2.67	0.070
Mean	1.6	1.7	1.8		
Median	1.0	2.0	2.0		

[a] Statistically significant difference between novice and portfolio founders at least at the .1 level.
[b] Statistically significant difference between novice and serial founders at least at the .1 level.
[c] Statistically significant difference between portfolio and serial founders at least at the .1 level.

Supporting evidence presented elsewhere, habitual founders, particularly serial founders, were significantly more likely to have been self-employed immediately before start-up (row 1 in Table 4). Novice founders were, however, significantly more likely to have started their business in the same industry as their last employer, with portfolio founders being more likely to have changed their industrial focus (row 2). Habitual founders, particularly serial founders, were significantly more likely to have worked in a small firm with fewer than 100 employees before start-up than was the case for novice founders (row 3). In marked contrast, significantly more novice rather than habitual founders had last worked immediately before start-up in a large firm with 1,000 or more employees (row 4). As a result, propositions P2a, P2b, and P2c are supported.

Reasons Leading to Start-Up

Twenty-three reasons leading to start-up statements were presented to respondents (see Birley and Westhead (1994b) for a complete list). Significant differences among the three types of founders emerged with reference to seven variables (Table 5).

Novice founders were significantly more likely than serial founders to have suggested “it made sense at that time in my life” (“need for independence”). They were also significantly more likely than portfolio founders to have suggested “to achieve something and to get recognition for it” (“need for approval”). In marked contrast, novice founders were significantly less likely than portfolio and serial founders to have reported “to continue a family tradition” (“follow role models”).

Habitual founders were, in addition, significantly more likely to have emphasized

TABLE 4 Work Experience of the Founder Contrasts by Type of Key Founder

Variable	Novice Founders No.	Novice Founders %	Portfolio Founders No.	Portfolio Founders %	Serial Founders No.	Serial Founders %	χ^2 Statistic	Significance Level
1. Job title of key founder when left last employer immediately before start up—self-employed[b]							23.14	0.0000
No	371	95.4	68	90.7	130	82.8		
Yes	18	4.6	7	9.3	27	17.2		
2. Key founder started business in the same industry as last employer[a]							6.09	0.0477
No	180	47.5	45	61.6	85	54.8		
Yes	199	52.5	28	38.4	70	45.2		
3. Employment size of establishment key founder last worked in before start-up—small firm (≤99 employees)[b]							6.67	0.0335
No	211	54.2	33	44.0	68	43.3		
Yes	178	45.8	42	56.0	89	56.7		
4. Employment size of establishment key founder last worked in before start-up—large firm (≥1,000 employees)[a,b]							6.40	0.0408
No	288	74.0	63	84.0	129	82.2		
Yes	101	26.0	12	16.0	28	17.8		

[a] Statistically significant difference between novice and portfolio founders at least at the .1 level.
[b] Statistically significant difference between novice and serial founders at least at the .1 level.

"perceived instrumentality of wealth" and "need for personal development" reasons leading to start-up than was the case for novice founders. Portfolio founders were significantly more likely than novice and serial founders to have suggested "to give myself, my spouse, and children security" ("perceived instrumentality of wealth"). A significantly larger proportion of portfolio rather than serial founders also reported "to have access to indirect benefits such as tax exemptions" ("tax reduction and indirect benefits"). Serial founders, however, were significantly more likely than novice founders to have suggested "to develop an idea for a product" ("need for personal development"). In marked contrast, serial founders were significantly less likely than novice and portfolio founders to have reported "to have more influence in my community" ("welfare considerations"). Hence, propositions P3a, P3b, and P3c are supported.

Personal Attitudes to Entrepreneurship

Twenty-one personal attitudes to entrepreneurship statements were presented to founders (see Birley and Westhead (1992) for a complete list). Statistically significant personal attitudes to entrepreneurship statement differences were recorded among the three types of founders, particularly between portfolio and serial founders (Table 6). Portfolio founders were significantly more likely than novice and serial founders to have agreed with the personal attitude to entrepreneurship dimension relating to "individualism—relationship between individuals" ("I have a duty to give clients and customers

TABLE 5 Reasons Leading to Start-Up Contrasts by Type of Key Founder

Variable	Novice Founders No.	Novice Founders %	Portfolio Founders No.	Portfolio Founders %	Serial Founders No.	Serial Founders %	χ^2 Statistic	Significance Level
1. Reason leading to start-up—it made sense at that time in my life ("need for independence")[b]							11.16	0.0038
To no extent	38	9.8	9	12.0	32	20.4		
To some extent	348	90.2	66	88.0	125	79.6		
2. Reason leading to start-up—to achieve something and to get recognition for it ("need for approval")[a]							5.38	0.0678
To no extent	85	22.0	25	33.3	44	28.0		
To some extent	301	78.0	50	66.7	113	72.0		
3. Reason leading to start-up—to continue a family tradition ("follow role models")[a,b]							5.58	0.0615
To no extent	331	85.8	58	77.3	124	79.0		
To some extent	55	14.2	17	22.7	33	21.0		
4. Reason leading to start-up—to give myself, my spouse, and children security ("perceived instrumentality of wealth")[a,c]							8.20	0.0166
To no extent	79	20.5	5	6.7	27	17.2		
To some extent	307	79.5	70	93.3	130	82.8		
5. Reason leading to start-up—to have access to indirect benefits such as tax exemptions ("tax reduction and indirect benefits")[c]							7.22	0.0270
To no extent	205	53.1	32	42.7	96	61.1		
To some extent	181	46.9	43	57.3	61	38.9		
6. Reason leading to start-up—to develop an idea for a product ("need for personal development")[b]							6.98	0.0305
To no extent	214	55.4	36	48.0	68	43.3		
To some extent	172	44.6	39	52.0	89	56.7		
7. Reason leading to start-up—to have more influence in my community ("welfare considerations")[b,c]							6.51	0.0385
To no extent	271	70.2	51	68.0	126	80.3		
To some extent	115	29.8	24	32.0	31	19.7		

[a] Statistically significant difference between novice and portfolio founders at least at the .1 level.
[b] Statistically significant difference between novice and serial founders at least at the .1 level.
[c] Statistically significant difference between portfolio and serial founders at the .1 level.

the same treatment'' and ''equality is characterized by a stress on rewards based on merit, ability, and skill''). In addition, novice and portfolio founders were significantly more likely than serial founders to have agreed with the personal attitude to entrepreneurship dimension relating to ''power distance - management of inequality between

TABLE 6 Personal Attitudes to Entrepreneurship Contrasts by Type of Key Founder

Variable	Novice Founders No.	Novice Founders %	Portfolio Founders No.	Portfolio Founders %	Serial Founders No.	Serial Founders %	χ^2 Statistic	Significance Level
1. Personal attitude to entrepreneurship—I have a duty to give clients and customers the same treatment ("individualism—relationship between individuals")[a,b,c]							15.23	0.0005
Other	93	24.3	10	13.5	57	36.3		
Agree	290	75.7	64	86.5	100	63.7		
2. Personal attitude to entrepreneurship—equality is characterized by a stress on rewards based on merit, ability and skill ("individualism—relationship between individuals")[a,c]							5.08	0.0790
Other	198	51.8	30	40.5	88	56.4		
Agree	184	48.2	44	59.5	68	43.6		
3. Personal attitude to entrepreneurship—equality is everyone's right ("power distance—management of inequality between people)[b,c]							10.91	0.0043
Other	90	23.5	11	14.9	53	33.8		
Agree	293	76.5	63	85.1	104	66.2		
4. Personal attitude to entrepreneurship—starting a business means uncertainty but adds to the excitement of life ("uncertainty avoidance—stance towards the future")[b]							5.18	0.0751
Other	31	8.1	4	5.4	21	13.4		
Agree	353	91.9	70	94.6	136	86.6		

[a] Statistically significant difference between novice and portfolio founders at least at the .1 level.
[b] Statistically significant difference between novice and serial founders at least at the .1 level.
[c] Statistically significant difference between portfolio and serial founders at the .1 level.

people'' (''equality is everyone's right''). Serial founders, however, were weakly significantly less likely than novice founders to have agreed with the personal attitude to entrepreneurship statement relating to an ''uncertainty avoidance—stance toward the future'') (''starting a business means uncertainty but adds to the excitement of life''). As expected, serial founders had taken a more cautious view and had sought to reduce uncertainty by greater control, by focusing on achieving an exit at an appropriate time to realize their gains and putting themselves in a position to focus on their next venture. This seems in contrast to the suggestion made above that portfolio entrepreneurs may start-up new ventures in uncertain areas on the back of their original business, but focus insufficient attention on each of their individual ventures, thereby introducing the scope for greater uncertainty. Proposition P4 is therefore tentatively supported.

Sources of Finance Used During the Launch Period

With regard to the sources of finance used during the launch period of the surveyed businesses, four weakly significant differences were recorded among the three founder types. Habitual founders, particularly serial founders, used significantly more sources of finance than novice founders (row 4 in Table 3). Contrary to expectation, over 51% of

TABLE 7 Sources of Start-Up Finance Contrasts by Type of Key Founder

Variable	Novice Founders		Portfolio Founders		Serial Founders		χ^2 Statistic	Significance Level
	No.	%	No.	%	No.	%		
1. Personal savings, family, and friends used as a source of start-up capital during the launch period of surveyed small firm[a,b]							7.85	0.0197
No	76	19.5	20	26.7	19	21.1		
Yes	313	80.5	55	73.3	138	87.9		
2. Customers and suppliers used as a source of start-up capital during the launch period of surveyed small firm[a]							6.84	0.0327
No	373	95.9	67	89.3	144	91.7		
Yes	16	4.1	8	10.7	13	8.3		
3. "Other" sources of start-up capital used during the launch period of surveyed small firm							5.71	0.0576
No	369	94.9	67	89.3	152	96.8		
Yes	20	5.1	8	10.7	5	3.2		

[a] Statistically significant difference between novice and serial founders at least at the .1 level.
[b] Statistically significant difference between portfolio and serial founders at the .1 level.

founders in each group had used finance from banks and financial institutions. Portfolio founders with established track records were, however, more likely to have obtained finance from this source, although not in a statistically significant direction. Supporting the view that serial founders may have used the funds received on exiting from their last venture to finance the next, this group of founders was significantly more likely than the other founders to have used personal savings, family, and friends as a source of start-up capital in their current business (row 1 in Table 7). Portfolio founders were the least likely to do so, perhaps reflecting notions that they can fund new ventures from the reputation and track record associated with their existing ventures. This is to some extent borne out by the greater incidence of portfolio founders having used customers and suppliers (row 2) and ''other'' sources of finance (row 3). As a result, P5a and P5c are supported. In marked contrast, P5b cannot be confirmed.

Future of the Business

Approximately, half the founders in each of the three groups considered that their standard of living was better now than when they started the business (row 1 in Table 8). Although not in a statistically significant direction, both types of habitual founders were somewhat more likely than novice founders to be optimistic that their business would expand over the next 2 years (row 2). Moreover, over 91% of founders in each of the groups suggested that they wished to grow their business in the future, with there being no significant difference between the groups (row 3). To a lesser extent founders wanted to increase the total employment sizes of their businesses (row 4). Although not in a statistically significant direction, slightly fewer novice founders reported that they wished to grow employment, whereas both types of habitual founders expressed similar

TABLE 8 Future of the Business Contrasts by Type of Key Founder

Variable	Novice Founders No.	Novice Founders %	Portfolio Founders No.	Portfolio Founders %	Serial Founders No.	Serial Founders %	χ^2 Statistic	Significance Level
1. Standard of living today compared to when the founder started the business							4.73	0.3167
Worse	54	13.9	15	20.0	29	18.6		
About the same	110	28.3	20	26.7	50	32.1		
Better	225	57.8	40	53.3	77	49.4		
2. How the founder believes the future looks for the business in the next two years?							1.91	0.7530
Shrinking/declining business	42	10.8	8	10.7	14	8.9		
Stable/unchanged more or less	97	24.9	16	21.3	33	21.0		
Growing/expanding business	250	64.3	51	68.0	110	70.1		
3. Does the founder want to grow the business in the future?							0.33	0.8489
No	33	8.5	5	6.7	12	7.6		
Yes	356	91.5	70	93.3	145	92.4		
4. Does the founder want to increase the total employment size of the business in the next two years?							4.31	0.1157
No	133	34.3	20	26.7	41	26.1		
Yes	255	65.7	55	73.3	116	73.9		

levels of positive support for increasing the number of employees in their businesses. Consequently, P6 cannot be supported.

Performance of the Business

Business performance was examined on several dimensions covering levels and changes in sales revenues, levels and changes in profitability, the performance of the firm relative to the competition, and the share of sales exported abroad. No significant differences in performance were identified between firms owned and controlled by the three groups of founders (Table 9). However, at a coarse level of analysis, a weakly significantly larger proportion of novice rather than habitual founders operated businesses that were profitable (rather than making a loss or at break-even) at the 0.1 level of significance. Although not in a statistically significant direction, firms owned by portfolio founders were somewhat more likely to have increased their profits in the last year and to rate their businesses favorably in relation to the competition than was the case for firms owned by novice or serial founders.

ANOVA tests were also used to detect levels and changes in employment contrasts among the three groups of firms. Part-time and casual employees were taken into account by scoring full-time, part-time, and casual employees 1, 0.5, and 0.25, respectively (Cooper et al. 1989, pp. 323–324). No statistically significant differences were identified (Table 10). Nevertheless, serial founder firms reported higher levels of current employment and standardized changes in employment (i.e., after adjusting for the effects of

TABLE 9 Performance Contrasts by Type of Key Founder

Variable	Novice Founders		Portfolio Founders		Serial Founders		χ^2 Statistic	Significance Level
	No.	%	No.	%	No.	%		
1. Level of sales for the last financial year (£'s, excluding value-added tax (VAT))							14.48	0.1523
1–99,999	188	48.8	34	47.2	61	39.4		
100,000–249,999	85	22.1	20	27.8	42	27.1		
250,000–499,999	57	14.8	5	6.9	18	11.6		
500,000–999,999	30	7.8	7	9.7	20	12.9		
£1m–£1.99m	11	2.9	5	6.9	7	4.5		
⩾£2m	14	3.6	1	1.4	7	4.5		
2. Percentage increase or decrease in sales recorded by the business during the past year							11.53	0.4839
20% or more decrease	32	8.5	7	9.9	13	8.6		
1–19% decrease	38	10.1	7	9.9	14	9.3		
About the same	66	17.6	12	16.9	27	17.9		
1–25% increase	111	29.6	22	31.0	45	29.8		
26–50% increase	70	18.7	9	12.7	26	17.2		
51–100% increase	32	8.5	8	11.3	23	15.2		
More than doubled	26	6.9	6	8.5	3	2.0		
3. Level of profitability for the last financial year							7.02	0.1346
Loss	65	16.8	21	28.4	30	19.5		
Break-even	66	17.1	13	17.6	32	20.8		
Profit	255	66.1	40	54.1	92	59.7		
4. Percentage increase or decrease in pretax loss/profit recorded by the business during the past year							10.29	0.5904
20% or more decrease	30	8.5	7	10.6	11	7.7		
1–19% decrease	51	14.4	9	13.6	19	13.4		
About the same	90	25.4	22	33.3	42	29.6		
1–25% increase	123	34.7	17	25.8	42	29.6		
26–50% increase	26	7.3	3	25.8	17	12.0		
51–100% increase	14	4.0	4	6.1	7	4.9		
More than doubled	20	5.6	4	6.1	4	2.8		
5. How does the business rate its current profit performance relative to competition?							16.03	0.1899
Very poor	7	1.9	3	4.2	2	1.3		
Poor	18	4.8	2	2.8	9	6.0		
Fairly poor	34	9.1	5	6.9	13	8.6		
Average	150	40.1	23	31.9	56	37.1		
Fairly good	93	24.9	20	27.8	29	19.2		
Good	54	14.4	17	23.6	27	17.9		
Very good	18	4.8	2	2.8	15	9.9		
6. Percentage of sales revenue exported abroad							3.17	0.2044
0	302	78.4	51	68.9	121	77.1		
⩾1	83	21.6	23	31.1	36	22.9		

TABLE 10 Employment Size and Change Contrasts by Type of Key Founder

Variable	Novice Founders	Portfolio Founders	Serial Founders	Analysis of Variance F Statistic	Significance Level
1. Number of total employees employed when business received its first order				0.46	0.634
Mean	2.7	3.0	2.9		
Median	2.0	2.0	2.0		
2. Number of standardized total employees employed when business received its first order[a]				0.25	0.782
Mean	2.4	2.5	2.6		
Median	1.5	2.0	2.0		
3. Number of total employees presently employed				1.54	0.214
Mean	9.5	9.0	12.5		
Median	5.0	5.0	5.0		
4. Number of standardized total employees presently employed[a]				1.94	0.144
Mean	7.9	7.7	11.1		
Median	3.5	3.5	4.3		
5. Standardized absolute employment change ((present total employment size—total employment size when received first order)/age of the business)				1.65	0.194
Mean	1.4	1.4	2.5		
Median	0.4	0.7	0.5		

[a] Full-time, part-time, and casual employees were taken into account by scoring full-time, part-time, and casual employees 1, 0.5, and 0.25, respectively.

part-time and casual employees), although not in a statistically significant direction. Hence, P7 cannot be confirmed.

Discriminant Analysis

Results discussed above show prima facie evidence for dissimilarities among novice, portfolio, and serial founders. An exploratory discriminant analysis minimizing the Wilks' lambda (Norusis 1988) was used to identify the *combination* of variables that best summarized and dichotomized the three types of founders. A stepwise selection method was used to identify a more parsimonious subset of variables that discriminates nearly as well as, if not better than, the full set (Klecka 1980). The final parsimonious model also provides a means to assign (and classify) any respondent into the ownership category (or type) it most closely resembles. As in previous studies, the predictive accuracy of the final model was not the paramount objective for using this multivariate technique. Consequently, a hold-out sample to test the predictive utility of the final model was not assembled.

The final discriminant analysis model is detailed in Table 11. This parsimonious model includes 15 variables. The discriminant analysis revealed that the first discriminant function had an eigenvalue of 0.25 accounting for 70.6% of the variance, with a canonical correlation of 0.45. The second discriminant function had an eigenvalue of 0.10, accounting for 29.4% of the variance. Wilks' lambda values for functions 1 and

2 were 0.72 and 0.91, respectively. Both lambdas were significant at the .001 level or less. Another indicator of the effectiveness of the discriminant model is the degree of predictive accuracy measured by the percentage of cases (or founders) classified correctly. Overall, 57% of the founders were correctly classified, considerably greater than that could be achieved by chance alone. The final model correctly assigned 58% of novice founders and 57% of serial founders to their correct ownership category. Slightly fewer portfolio founders (51%) were, however, assigned to their correct group.

Standardized canonical discriminant function coefficients in Table 11 indicate the relative importance of the variables included in the model and are used to describe the significant differences between the founder types. The pooled within-groups correlations show how closely a variable and a discriminating function are related, and a discriminating function is described on the basis of the structure matrix.

The first function, which explained most of the variance, differentiated the serial founders from the other two types of founders. Serial founders were drawn from non-managerial parental backgrounds and they established their first business at a very early age. They had gained experience by working in a large number of organizations on a full-time basis. Immediately before the start-up of the surveyed firm, a larger proportion of them had been self-employed. In terms of the reasons leading to start-up of their current venture, "it made sense at that time in my life" ("need for independence") and "to have more influence in my community" ("welfare considerations") were to no extent important. Further, they had obtained start-up capital during the launch period from personal savings, family, and friends.

The second function separated portfolio founders from the other two types of founders. Portfolio founders' parents during childhood mostly held managerial positions. They were young when they started their first business. Because they owned other businesses (with employees), portfolio founders generally had not been self-employed immediately before the start-up of the surveyed business. The managerial, technical and financial resources of at least one additional shareholder or partner were used to develop the surveyed business. In addition, drawing upon prior experience and contacts, customers and suppliers had been used as a source of start-up capital during the launch period of the business. The principal reasons leading to the start-up of the surveyed firms were as follows: "to give self, spouse, and children security" ("perceived instrumentality of wealth") and "to have access to indirect benefits such as tax exemptions" ("tax reduction and indirect benefits"). Interestingly, "to achieve something and get recognition for it" ("need for approval") was to no extent important. However, three personal attitudes to entrepreneurship were important: "I have a duty to give all clients and customers the same treatment" ("individualism—relationship between individuals"), "equality is everyone's right" ("power distance—management of inequality between people"), and "starting a business means uncertainty but adds to the excitement of life" ("uncertainty avoidance—stance toward the future").

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

This study has provided an exploratory analysis of different types of habitual entrepreneurs. The particular focus has been on two types of habitual entrepreneurs, portfolio and serial entrepreneurs, who had established/owned more than one business. This study has identified similarities and differences between novice and habitual founders as well as between the two types of habitual founders. In respect of portfolio and serial

TABLE 11 Discriminant Groups of Independent Owner-Managed Firms in Great Britain

	Function 1		Function 2	
Variable	Standardized Canonical Discriminant Function Coefficients	Pooled Within-Groups Correlations (Structure Matrix)	Standardized Canonical Discriminant Function Coefficients	Pooled Within-Groups Correlations (Structure Matrix)
1. Age of the key founder when starting first business (years)	−0.74	−0.60	−0.28	−0.30
2. Job title of key founder when left last employer immediately before start-up—self-employed (0=no; 1=yes)	0.36	0.39	−0.20	−0.09
3. Reason leading to start-up—it made sense at that time in my life (“need for independence”) (0=to some extent; 1=to no extent)	0.27	0.27	−0.08	−0.07
4. Number of organizations worked for on a full-time basis	0.30	0.25	0.16	0.05
5. Reason leading to start-up—to have more influence in my community (“welfare considerations”) (0=to some extent; 1=to no extent)	0.23	0.21	−0.14	−0.17
6. Occupational status of founder’s parents (i.e., the main income earner) during childhood—manager (0=no; 1=yes)	−0.17	−0.09	0.50	0.44
7. Personal attitude to entrepreneurship—I have a duty to give all clients and customers the same treatment (“individualism—relationship between individuals”) (0=other; 1=agree)	−0.12	−0.22	0.36	0.36
8. Personal attitude to entrepreneurship—equality is everyone’s right (“power distance—management of inequality between people”) (0=other; 1=agree)	−0.19	−0.21	0.27	0.33
9. Reason leading to start-up—to give myself, my spouse and children security (“perceived instrumentality of wealth”) (0=to some extent; 1=to no extent)	−0.15	−0.09	−0.26	−0.29
10. Number of shareholders or partners in the business (0=1; 1=⩾2)	0.17	0.16	0.22	0.28
11. Personal savings, family, and friends used as a source of start-up capital during the launch period (0=no; 1=yes)	0.21	0.12	−0.14	−0.26
12. Customers and suppliers used as a source of start-up capital during the launch period (0=no; 1=yes)	0.08	0.15	0.26	0.26
13. Reason leading to start-up—to have access to indirect benefits such as tax exemptions (“tax reduction and indirect benefits”) (0=to some extent; 1=to no extent)	0.16	0.15	−0.23	−0.24

Continued

TABLE 11 *Continued*

Variable	Function 1: Standardized Canonical Discriminant Function Coefficients	Function 1: Pooled Within-Groups Correlations (Structure Matrix)	Function 2: Standardized Canonical Discriminant Function Coefficients	Function 2: Pooled Within-Groups Correlations (Structure Matrix)
14. Reason leading to start-up—to achieve something and to get recognition for it ("need for approval") (0=to some extent; 1=to no extent)	0.14	0.19	0.44	0.23
15. Personal attitude to entrepreneurship—starting a business means uncertainty but adds to the excitement of life ("uncertainty avoidance—stance toward the future") (0=other; 1=agree)	−0.11	−0.13	0.19	0.13

Function	Eigenvalue	Percentage of Variance	Cumulative Percentage	Canonical Correlation	After Function	Wilks Lambda	χ^2 Statistic	*df*	Significance Level
1*	0.2505	70.62	70.62	0.4476:	0	0.7242	185.88	30	0.0000
2*	0.1042	29.38	100.00	0.3072:	1	0.9056	57.11	14	0.0000

Canonical discriminant functions evaluated at group means (group centroids)

Group	Function 1	Function 2
1. Novice founders	−0.36	−0.09
2. Portfolio founders	0.17	0.90
3. Serial founders	0.79	−0.18

Percentage of cases correctly classified by the model:
1. Novice founders = 225 cases (58%)
2. Portfolio founders = 38 cases (51%)
3. Serial founders = 89 cases (57%)

TOTAL FOUNDERS = 352 cases (57%)

*marks the two canonical discriminant functions remaining in the analysis.

founders, significant differences were identified in terms of the age of the founders when starting their first businesses, parental background, and the work experiences of the founders. Differences between the habitual founders were also noted with regard to reasons leading to start-up, personal attitudes to entrepreneurship, and sources of finance used during the launch period.

Our analysis, therefore, suggests habitual entrepreneurs cannot be treated as a homogeneous group. Birley and Westhead (1994a) during their comparison of novice and habitual new firm founders identified only two significant variables relating to reasons leading to start-up when they compared novices with habituals as a group (i.e., portfolio and serial founders combined). In marked contrast, our finer level of analysis, which distinguished habitual founders into portfolio and serial founders, identified seven significant differences. Birley and Westhead (1994a) found habitual founders were not more likely to stress materialistic reasons for starting their current venture, our more refined analysis interestingly noted portfolio founders were significantly more likely than serial and novice founders to have reported this start-up reason. In addition, Birley and Westhead (1994a) found significant differences between novice and habitual founders with regard to sources of finance used during the launch period. Most notably, they reported novice founders were significantly more likely to have used finance from personal savings, family and friends, and from customers and suppliers. Our analysis, however, shows that when habitual founders are divided into two founder types, serial founders were significantly more likely to have used launch finance from personal sources, whereas portfolio founders were more likely to have used finance from customers and suppliers. Birley and Westhead (1994a) also reported firms owned by habitual founders were more likely to be associated with teams of partners than was the case for novice firms. Further, our more refined analysis suggests this difference was driven by portfolio founders. Birley and Westhead's finding that habitual founders had gained greater previous experience through being self-employed immediately before the start-up of the surveyed business appears to have been driven by serial founders.

Consistent with other studies that have compared novice and habitual founders, our analysis failed to find any significant differences between the performance of firms owned by habitual founders when they were separated into serial and portfolio businesses. This evidence suggests owner-managers with prior business owning experience do not establish/own businesses that outperform those established by founders who have no prior business founding experience. Many habitual entrepreneurs, therefore, bring to their subsequent ventures some liabilities that may impede their performance. Identification of the liabilities and assets brought by habitual entrepreneurs to their subsequent ventures is, therefore, an important area for additional analysis.

When we explored the attributes and reasons leading to business start-up, the individual founder was the unit of analysis. However, when we focused upon performance, the unit of analysis was the organization (or the single surveyed firm). To appreciate fully the economic contribution of the habitual entrepreneurship phenomenon, we must gather information on all the organizations founded/owned by habitual entrepreneurs. Moreover, it will be necessary to distinguish real additional entrepreneurial activity from that which is merely a device to circumvent institutional restrictions, for example, to avoid labor laws which may become effective when a business exceeds a certain number of employees. Future research should focus on the founder/entrepreneur (rather than a particular organization) as the unit of analysis to enable a more detailed assessment of the nature and contribution of entrepreneurship. We believe the organization should not be the sole unit of analysis because some entrepreneurs attempt to resolve their personal materialistic aspirations through the growth of a portfolio of businesses (Birley and Westhead 1994a). It should also be noted that empirical analysis of novice or one-time entrepreneurs is fraught with the potential difficulty that a subset of such entrepreneurs may be future habitual entrepreneurs. As such, attempts to distinguish the characteristics of novice and habitual entrepreneurs may be colored by an absence of strict mutual exclusivity between the groups. As noted earlier, it should be borne in mind that the analysis in this article has focused upon habitual founders of businesses, which is only a subset of the wider phenomenon that includes habitual inheritors/purchasers of businesses and multiple corporate entrepreneurship.

The findings of this study have implications for practitioners, especially venture capitalists. The absence of significant performance differences between novice and habitual entrepreneurs, which is consistent with evidence from other studies, emphasizes the need for venture capitalists screening potential investees not to rely solely on previous experience but to analyze carefully the assets and liabilities of entrepreneurs' earlier background and whether experienced entrepreneurs have the motivation to undertake a subsequent venture. It was beyond the scope of this study to consider the relationships between financiers and types of habitual entrepreneur. Given the differences between serial and portfolio entrepreneurs, venture capitalists need to examine carefully the objectives of potential investees with previous experience. For example, serial entrepreneurs may be more amenable to the notion of venture capitalists' investment time horizons and be more willing to accept the possibility of an exit within a given period. Portfolio entrepreneurs may be more attuned to a more indefinite development of the business, which may be in conflict with venture capitalists' objectives. Our results also raise questions about the growth objectives of different types of habitual entrepreneurs that venture capitalists may need to consider. For example, serial entrepreneurs may be more comfortable with the notion of growing the business to a manageable size, whereas portfolio entrepreneurs may seek greater growth opportunities. These differing perspectives may have implications for the nature of the control processes that venture capitalists may be able to introduce for each type of founder. Further work examining the links between venture capitalists and serial entrepreneurs would seem warranted.

The empirical evidence presented here and elsewhere suggests researchers and policy-makers must appreciate there is a variety of types of entrepreneurs (as well as firms) (Birley and Westhead 1990; Westhead 1995a). Future research attention must, therefore, focus upon developing frameworks and theories that better describe the variety of career options open to entrepreneurs. In addition, future research should increasingly monitor all the businesses established/owned by portfolio and serial founders and inheritors/purchasers of businesses. Cohorts of different types of founders and inheritors/purchasers (and their firms) need to be monitored over considerable time periods to provide the research community and policy-makers with a more accurate assessment of the scale and nature of entrepreneurship.

The finding that prior experience did not lead to significantly higher performance raises a number of issues for researchers. The finding keys into research on the assets and liabilities of entrepreneurial experience (Starr and Bygrave 1991) and suggests that perhaps the former may offset the latter. There would, therefore, appear to be scope for large scale research that examines carefully the relative importance of different assets and liabilities of previous entrepreneurial experience.

One interpretation of the findings of this study is to call into question research on venture capitalists' screening processes that emphasize the importance of prior experience. However, a more attractive approach may be the need to appreciate that prior entrepreneurial experience per se may be a necessary but not a sufficient condition for the enhanced performance of a subsequent venture. A major issue is whether the entrepreneur is able to identify an opportunity the second time around that can achieve greater performance than the first. Evidence from venture capitalists' views of serial entrepreneurs has suggested that this is often the major problem (Wright et al. 1997). This in turn suggests that research that examines trade-offs between the various attributes of entrepreneurs and their business plans (Muzyka et al. 1996) may provide an important approach for understanding the likely prospects for subsequent ventures owned by habitual entrepreneurs.

This study has focused on the characteristics of habitual and novice entrepreneurs and their firms. Future research might usefully examine carefully the different processes used by these different types of entrepreneur in searching for, entering, and growing their first and subsequent ventures. Further, this study has not examined the role of venture capitalists and other financiers in providing governance of entrepreneurial ventures. This may be important in enabling entrepreneurs to profitably extend their ventures beyond the initial more entrepreneurial growth phase.

Habitual entrepreneurs may be sufficiently competent covering less routine areas of entrepreneurship. However, beyond the start-up phase they may be less competent at growing their business above a modest size and scale of development. This suggests there is a need to explore the attributes and behavior of entrepreneurs who have succeeded in growing their businesses to larger sizes and greater performance levels. To identify more closely the learning experience, there is also scope for further academic research that compares both the subsequent experiences of first time successful versus unsuccessful entrepreneurs, and the prior experiences of successful versus unsuccessful habitual entrepreneurs.

Additional research will enable policy-makers to assess the direct and indirect benefits as well as costs of providing assistance to nascent entrepreneurs compared with novice, portfolio, or serial entrepreneurs. Increased information will enable policy-makers more appropriate resource allocation decisions toward potential or different types of practicing entrepreneurs.

To encourage regional and national development, two important policy-led questions need to be addressed. First, should policy-makers target scarce economic resources to nascent entrepreneurs and increase the number of firm owners in an economy to its carrying capacity level? Second, should policy-makers target scarce resources toward the small number of existing founders (of which, a number are habitual entrepreneurs) or the small proportion of owner-managed firms (Storey 1994) that have the inclination as well as the ability to be significant wealth creators and employment generators?

The empirical evidence presented in this article makes a contribution to this important debate. Most notably, we found novice founders established firms that made comparable contributions to wealth creation and job generation as those established by portfolio and serial entrepreneurs. Policy-makers desiring to target scarce economic resources to firms that generate the vast majority of jobs must, therefore, appreciate prior venture experience does not necessarily ensure that this type of founder will subsequently establish/own a high growth venture. Moreover, the existing pool of experienced entrepreneurs may not be the source of high growth potential ventures. Efforts, therefore, may be needed to encourage more talented nascent entrepreneurs to become novice entrepreneurs. Policy-makers, however, must appreciate that the encouragement of more new firm founders (and new firms) in an economy may lead to increased competition, particularly in market niches at their carrying capacity level, and new entrants may displace existing firms. With regard to this important issue of targeting assistance to particular types of founders and firms, Reynolds et al. (1994) have argued:

> . . . in regions where economic growth is quite satisfactory, government efforts might be restricted to assisting new firms with high growth potential or a potential for out-of-region exports. In a region with poor economic growth but with a promising economic base, government assistance might emphasize new firms with potential for high growth or out-of-region exports but also provide some assistance for all new firm start-ups. In regions with neither economic growth nor a promising economic base, the only option available may be to provide general assistance to all potential new firm founders.

Before we can conclusively answer the two policy-led research questions stated above, future research must address the following research questions (Dyer 1994, p.16). What are the relative influences of various antecedents on a portfolio or serial career choice? Which factors—individual, social, or economic—have the greatest impact? How do these factors interact with one another to motivate someone to start a portfolio or serial entrepreneurial career? By what processes can these antecedents be changed or influenced? Are there common socialization experiences for all types of entrepreneurs? Do certain types of socialization experiences determine whether particular types of entrepreneurs are more successful? In what industrial sectors/regions/cultures are habitual entrepreneurs over/underrepresented? In addition, it is important to consider a multifaceted approach that covers both the multiple creation and inheritance/purchase of businesses. As well as wealth creation from the founding of businesses, habitual purchasing of businesses followed by restructuring and innovation (especially where such businesses have been underperforming as an unfavored part of a larger group or a potentially strong part of a failing larger organization) also offer such prospects (Wright et al. 1997).

As appreciated elsewhere (Dyer 1994), to address these research questions there is a need for additional research from an objective as well as a subjective stance. There is a need for more in-depth longitudinal research focusing upon different types of potential and practicing entrepreneurs (Van de Ven 1992). Whereas additional quantitative questionnaire studies will bear further fruitful information and confirmatory evidence, there is also the need for more in-depth ethnographic case study research using semi-structured interviews as well as the participant-observation techniques of sociology and anthropology (Churchill 1992).

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