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Editors' Introduction: Habitual Entrepreneurs and Angel Investors

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The extent and nature of entrepreneurship is increasingly recognized as crucial to the economic well-being of a country. There is a growing need to recognize that entrepreneurship may not be a single-event action. Moreover, entrepreneurship not only involves the creation of new businesses (Birley & Westhead, 1992; Reynolds, Storey, & Westhead, 1994). It involves the inheritance (Westhead, 1997) and the purchase (Cooper & Dunkelberg, 1986; Birley and Westhead, 1990a, 1993a; Robbie & Wright, 1996) of established businesses. With the resurgence of new firm start-ups over the last two decades and the emergence and growth of management buy-outs and buy-ins, entrepreneurial activities have become more diverse. Some of these developments have now become sufficiently well-established to enable a subset of entrepreneurs to engage in multiple ventures. The creation of significant wealth, which in a growing number of cases has been realized through the sale or listing of entrepreneurial ventures, has also helped stimulate further development of the phenomenon of business angels. These cashed-out entrepreneurs are prime angel candidates, who bring both capital and their wealth experience to help new ventures start and grow. Increasingly it is being recognized that business angels may also invest in multiple projects. Scott and Rosa (1996a, 1996b) have argued that multiple business ownership, which has been termed habitual entrepreneurship, should not be seen as a specialist curiosity.

We take the view that research focusing upon habitual entrepreneurs and angels is fundamental to our understanding of the process of wealth creation and for the direction of policy to stimulate such wealth creation. It is important to recognize that, if the founding of a business is the sole unit of analysis, rather than the entrepreneur, there is a risk that the extent of the new venturing event may be underestimated (Birley & Westhead, 1993b; Scott & Rosa, 1996a, Westhead & Wright, 1998, 1999; Rosa and Scott, 1998). Both research and policy have hitherto tended to focus on the former. Appreciation that the founding or owning of a business may not be a one-time entrepreneurial action for individual entrepreneurs has implications for policy makers, practitioners, and researchers.

There is a need for policy makers to more fully appreciate the backgrounds, objectives, and needs of various types of entrepreneurs and investors when they are formulating policies to encourage new firm formation and business development at a regional level. Policy makers need more information surrounding the performance and economic contributions made by different types of entrepreneurs and investors. An understanding of habitual entrepreneurs has implications for the investment behavior of financial institutions. For example, they may be prepared to provide additional advantage to habitual entrepreneurs who have a proven track record of success. Financial institutions and professional advisers require additional information surrounding the assets and liabilities associated with prior business ownership experience. Practitioners who can provide assistance to owners/businesses also need more information surrounding the management practices of businesses owned (or partly owned) by different types of entrepreneurs. In addition, they need to know whether businesses owned by experienced entrepreneurs perform better than those owned by individuals with no prior business ownership experience. An understanding of private investors has likewise implications for financial institutions. These business angels may represent co-investment opportunities for financial institutions and a two-way flow of information. In the latter, financial institutions may be in a position to direct investment opportunities to angels for those ventures that may not meet the requirements of financial institutions due to their early stage of development, but are prime angel funding opportunities. As these early-stage ventures grow and mature, later-stage funding may then be appropriate for the financial institutions.

Researchers are increasingly appreciating that established theories and models relating to business development may be inadequate (O'Farrell & Hitchens, 1988; Gibb & Davies, 1990; Birley & Westhead, 1990b; Rosa & Scott, 1998) and that there is a need to revise them to take into account the role played by habitual entrepreneurs. Greater attention to habitual entrepreneurs and angels may open up new research agendas in the general entrepreneurship field. However, despite a plea over a decade ago that to really understand entrepreneurship there was a need to research entrepreneurs who had undertaken more than one venture (Anonymous, 1986), relatively little has been achieved. Although researchers are beginning to explore the contributions made by novice entrepreneurs (i.e., those with no prior business ownership experience) and habitual entrepreneurs (i.e., those with prior business ownership experience), previous studies which considered habitual entrepreneurs have either treated them as a homogeneous entity or have only examined a subset of habitual entrepreneurs (for example, portfolio or serial entrepreneurs). While previous research has examined potential angels (i.e., those with the net worth but no prior investment experience) and serial angels (i.e., those engaged in multiple investments), much remains to be understood for both of these segments of the angel population.

The aim of this Special Issue is to provide at least a step towards filling the gap in our knowledge and to encourage more research surrounding the characteristics and contributions made by habitual entrepreneurs and angels. The purpose of this introduction is to set the papers presented in this Special Issue in the context of the principal issues that need to be addressed: the impact of contextual factors on habitual entrepreneurship; the scale of the habitual entrepreneurship phenomenon; the personal backgrounds of habitual entrepreneurs; issues relating to how habitual entrepreneurs put projects or deals together; and the performance of businesses owned by novice, portfolio, and serial entrepreneurs. Based on this discussion, the problems with previous studies that have focused upon habitual entrepreneurs and angels are then outlined. The paper concludes with some directions for future research.

DEFINING HABITUAL ENTREPRENEURS AND ANGELS

Habitual entrepreneurs have probably existed since the early days of industrialization (Scranton, 1993), but defining habitual entrepreneurs and angels remains a conceptually difficult task. There is no generally accepted definition (Starr & Bygrave, 1991) and a variety of definitions have been presented and used, which makes comparative research in this area difficult (Donckels, Dupont, & Michel, 1987; Kolvereid & Bullvåg, 1993; Birley & Westhead, 1993b; Scott & Rosa, 1996a; Carter, 1997; Westhead & Wright, 1998; Alsos & Kolvereid, this issue).

Donckels et al. (1987, p. 48) suggested, "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 more conservative definition of 'experienced business founders.' They suggested experienced business founders had 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 (1993b, 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) divided habitual entrepreneurs into serial and portfolio entrepreneurs. Serial owners were defined as those who own one business after another but effectively only own one business at a time. Portfolio owners own more than one business at a time. Building upon Hall's definition, Westhead and Wright (1998) suggested that habitual entrepreneurs are individuals who have established, inherited or purchased more than one business, whilst serial entrepreneurs are those individuals who have sold or closed their original business but at a later date have inherited, established or purchased another business. Portfolio founders, however, were defined as individuals who own two or more businesses at the same time. Moreover, novice entrepreneurs were defined as individuals who currently own one business and have no prior business ownership experience as a business founder, an inheritor, or a purchaser of a business.

Conceptually, habitual angel investors can also be considered to adopt a portfolio or serial approach. However, terminology in this area has hitherto been rather loose with the term serial investors being used to encompass both forms of habitual investment activities (Kelly & Hay, 1996) and a fairly arbitrary rule being adopted whereby individuals are only considered to be habitual angels if they have made at least three investments (Van Osnabrugge, this issue).

A TYPOLOGY

Table 1 presents a simple categorization of types of habitual entrepreneurial and angel behavior based on two broad dimensions: that is, whether a new or existing business is involved, and whether or not there is a change of ownership between ventures. As recent debates have emphasized, entrepreneurship can include the purchase of a venture (Cooper & Dunkelberg, 1986; Robbie & Wright, 1996), and ownership while important is not a necessary condition for entrepreneurship. Such a typology includes habitual entrepreneurs and angels who are involved in the founding, purchase or development of businesses and expands the scope of the phenomenon to include four other categories. Habitual purchasers of businesses include individual entrepreneurs from outside, who undertake multiple buy-ins (Robbie & Wright, 1996), and entrepreneurs from inside the firm who undertake multiple buy-outs, initially buying the firm, selling it and remaining as employees and then repurchasing it at a later date. Typically, such entrepreneurs may be expected to sell their first investment before embarking on a subsequent one and can be characterized as serial management buy-out (MBO) / management buy-in (MBI) entrepreneurs. Without a change in ownership, corporate entrepreneurs who undertake more than one entrepreneurial act can be characterized as habitual corporate entrepreneurs. In this approach, habitual angels can be represented as an intermediate form involving partial ownership change. Where they invest in new firms they may act as serial or portfolio investors depending on whether or not they sell other investments beforehand. Where they invest in existing businesses they may essentially be seen as

Table 1

Categorization of Habitual Entrepreneurship and Angel Investment

Type of Ownership Change	Habitual Entrepreneurship/Angel Activity Involving Existing Firms	Habitual Entrepreneurship/Angel Intestment Involving New Firms
Ownership change	Serial MBO/MBI	Serial Start-up
Partial ownership change	Second-round Angel Investment	Serial/Portfolio Angel Investment
No ownership change	Habitual Corporate Entrepreneurship	Portfolio Start-ups

investing in second-round financing or follow-up financing subsequent to founders' equity.

Entrepreneurial behavior defined as the creation of new combinations of resources can take different forms. A simplistic view of habitual entrepreneurial behavior is that it involves highly dynamic actions born out of previous business ownership experience. Drawing upon case study evidence, Wright, Robbie, & Ennew, (1997a) have, however, suggested that habitual entrepreneurial behavior is heterogeneous. They have tentatively suggested broad categorizations that involve the repetition of a venture (e.g. a repeat management buy-out of the same enterprise), organic growth of a subsequent venture (e.g. a further start-up or a management buy-in), and growth primarily through acquisition (e.g. developing a group around an initial start-up or buy-out). As yet, there has been no test of the validity of this categorization with regard to a large sample of habitual entrepreneurs which includes portfolio entrepreneurs excluded from Wright et al. (1997a). Habitual corporate entrepreneurship has been effectively ignored, yet it seems reasonable to argue that in increasingly dynamic markets with shorter product life-cycles it is of major importance. Rosa (this issue), in examining the life histories and business genealogies of business founders, also finds a great diversity in the backgrounds of entrepreneurs and in the types of venture they establish or purchase.

THE IMPACT OF CONTEXTUAL FACTORS

The nature of the actions by habitual entrepreneurs and angels may be mediated by a number of contextual factors such as different types of markets, whether habitual entrepreneurs and angels enter subsequent projects in the same sector, different environments, industry life-cycle stages and the contribution of the entrepreneurs' and angels' networks of contacts. Moreover, some types of markets may offer greater or lesser opportunities for habitual entrepreneurial actions and for the survival and development of businesses owned by serial and portfolio entrepreneurs. The search processes used by habitual entrepreneurs may be influenced by contextual factors. In addition, the performance of businesses established, inherited, or purchased by habitual entrepreneurs may be affected by the entrepreneurs' experience of a particular market sector and whether subsequent ventures are in the same sector as their previous entrepreneurial experience.

Evidence suggests that differing environments may be more or less conducive to the exercise of entrepreneurship (Gnyawali & Fogel, 1994), for example rural versus urban areas (Keeble & Walker, 1994; Westhead, 1995). By extension, rural and urban areas may have differing impacts on the exercise of habitual entrepreneurship per se as well as different types of habitual entrepreneurship, as seen in the paper in this Special Issue by Westhead and Wright.

A sectoral study by Carter (1998) recently explored the farm activities of portfolio farm owners in Cambridgeshire in England. Farmers starting further businesses located on farms were more likely to have migrated into the region in order to inherit or establish their 'core' farm businesses, to have entered farm ownership by purchasing an on-going business, to have received training in agriculture, and to have received training in marketing. Farmers starting further businesses off-farm were, however, significantly more likely to have received training in management.

THE SCALE OF THE HABITUAL ENTREPRENEURSHIP PHENOMENON

Birley and Westhead (1993b), who reviewed studies that focused upon new firm founders in the United Kingdom, noted that the proportion of new businesses founded by habitual entrepreneurs ranged from 12% to 36%. Habitual founders would appear from this evidence to be an important phenomenon. Most previous studies have solely focused upon the business founding process and the contribution of new firms. The scale of the habitual entrepreneurship phenomenon (covering new as well as established firms) may, therefore, have been underestimated in previous studies. Limited evidence from the United States also suggests that the phenomenon may be widespread. Schollhammer (1991), for example, found that 51% of surveyed entrepreneurs in Southern California had contributed to the initiation of two or more ventures.

Habitual business angels also account for a disproportionately large share of actual investment activity by angels (Kelly & Hay, 1997). The paper in this Special Issue by Van Osnabrugge finds that 65% of angels had made three or more investments in unquoted ventures.

THE PERSONAL BACKGROUNDS OF HABITUAL ENTREPRENEURS

Numerous studies have detected different personal characteristics, traits, and motivations between different 'types' of founders and owners of businesses (Smith, 1967; Westhead, 1990; Woo, Cooper, & Dunkelberg, 1991; Robbie & Wright, 1996). Evidence is only now beginning to emerge on the personal backgrounds of habitual entrepreneurs.

Personal Backgrounds, Motivations and Attitudes of the Founder

Available evidence indicates that very few women become habitual entrepreneurs, habitual entrepreneurs are more likely to have obtained higher education qualifications, and are likely to start their first business at a younger age than novice founders (Kolvereid & Bullvåg, 1993; Westhead & Wright, this issue). Portfolio owners may be able to establish and own multiple businesses because they use partners, whereas novice and serial entrepreneurs may establish or own a business without a partner (Kolvereid & Bullvåg, 1993). Westhead and Wright (this issue) find, however, that personal backgrounds of novice, serial, and portfolio founders may vary systematically with location. They find that in their rural sample a larger proportion of serial founders were drawn from a professional parental background while a larger proportion of portfolio founders were drawn from a managerial parental background; a significantly larger proportion of habitual founders were more likely to have established their new businesses with an additional shareholder or partner; and serial founders were significantly more likely to have worked in smaller firms prior to start-up. In their urban sample, novice founders were significantly less likely to have been self-employed prior to start-up and were significantly more likely to have started their businesses in the same industry as their last employers; serial founders had worked for more organizations before start-up.

Researchers have also recently begun to explore the characteristics and motivations of novice and habitual founders (Birley & Westhead, 1993b; Kolvereid & Bullvåg, 1993; Westhead & Wright, 1998, this issue) and portfolio and serial owner-managers (Westhead & Wright, 1998; Wright et al., 1997b). As with entrepreneurs generally, there is evidence of substantial heterogeneity in these factors and significant differences between types of entrepreneur. To the extent that such differences are present, wealth maximization may not be the only objective of habitual entrepreneurs.

Case studies suggest that a variety of triggers encourage individuals to become habitual entrepreneurs, such as a desire for independence and autonomy, a sense of duty, and the desire for wealth creation/financial gain (Wright et al., 1997a). The motivations cited by habitual entrepreneurs for owning businesses change over time. Monetary gain, in particular, appears to be less important for habitual entrepreneurs when they own a second venture. Moreover, owners of second ventures generally desire less risky ventures. The desire/need to work independently and to build a larger organization are, however, frequently cited by habitual entrepreneurs.

Westhead and Wright (this issue) found that the reasons leading to start-up varied both between the type of entrepreneur and the type of locality. Portfolio rural founders were markedly more likely to have started their businesses for reasons associated with instrumentality of wealth and to have an influence in their local community. In contrast, novice and portfolio urban founders were significantly more likely to emphasize needs for independence and to take advantage of an opportunity, while serial urban founders were significantly more likely to want 'to develop an idea for a product' and to follow role models.

The reasons leading to business start-up are also linked to personal attitudes to entrepreneurship. The paper in this Special Issue by Westhead and Wright finds that novice rural founders were significantly more likely than serial founders to have stated 'starting a business means uncertainty but adds to the excitement of life.' In contrast, the differences among the three types of urban founders are more complex. Portfolio urban founders were statistically significantly more likely to have agreed with the personal attitude to entrepreneurship dimension relating to 'individualism—relationship between individuals.' Both portfolio and novice urban founders were significantly more likely to have agreed with the personal attitude to entrepreneurship dimension relating to 'power distance— management of inequality between people.' Serial founders were significantly more likely to have agreed with the personal attitude to entrepreneurship dimension relating to an 'uncertainty avoidance—stance towards the future' and with the dimension relating to 'masculinity—allocation of roles between sexes.' Rosa (this issue) finds that the motives of habitual entrepreneurs may vary from entrepreneur to entrepreneur but also by individual entrepreneurs over time.

The Reasons Why Habitual Entrepreneurs are Attracted to New Projects

Case study evidence suggests that different types of habitual entrepreneurs are attracted by differing aspects of projects (Wright et al., 1997a; Rosa & Scott, 1998). Some habitual entrepreneurs are attracted to a new project because it offers them the opportunity to grow a business primarily through organic methods. Turnaround situations with a possibility of adding both management and strategic change seem to be attractive to these habitual entrepreneurs. A second group of entrepreneurs appears to be attracted to projects because of the prospects for developing a larger group of businesses by a series of business acquisitions. The possibility of repeating earlier success on a larger scale is also in evidence in these cases.

Rosa and Scott (1998) focused upon the strategies cited by portfolio entrepreneurs for building business ownership clusters. Their detailed business genealogies highlighted several leading strategies cited by portfolio entrepreneurs: positive diversification into a new market, plan forced diversification into new markets to spread risk or to overcome potential adversity, unplanned (opportunistic) diversification into new markets, business creation as a challenge or a hobby, the ownership of additional businesses to protect a new area or brand name, to ring fence a geographical diversification, to ring fence risk, to add value to existing ventures owned by the entrepreneur, to assist a friend or relative, to launder money, profits or family assets, to avoid paying taxes, and to cut costs and enhance internal efficiencies.

The Assets and Liabilities Associated with Prior Business Ownership Experience

An important theme in the entrepreneurship literature is the unresolved debate about whether entrepreneurs learn from their previous business ownership experience (Sitkin, 1992). Starr & Bygrave (1991) have suggested that prior business ownership experience may bring a variety of assets. These assets may include managerial and technical skills required for subsequent venture success, including marketing and financial expertise as well as the ability to identify and serve market segments that both have growth potential and profit possibilities. Experience may bring a range of contacts that can be built upon in subsequent ventures. Experienced entrepreneurs owning a new business in the same sector as their previous or current venture are likely to be in a relatively stronger position by virtue of that experience than novice founders. Individuals having undertaken an initial corporate entrepreneurial action may be in a relatively stronger position than those who only have routine managerial experience. In addition, they may be able to identify more clearly what is required to earn profits in the selected market. They may also have gained important resource-acquisition skills, such as expertise in seeking out the most appropriate sources of finance, as well as expertise in the governance by venture capitalists of their enterprises. Starr and Bygrave (1991) have, however, suggested that prior business ownership experience may bring a variety of liabilities, so that the performance of a subsequent venture may be below that of the first.

Angel investors who have previously undertaken such investments may be less naive, have a clearer idea of the specific characteristics to look for in an investment opportunity, be more realistic in the screening and due diligence process, and be more selective in the people they back and the sectors in which they invest (Wetzel, 1987; Kelly & Hay, 1996). In addition, these seasoned angel investors tend to invest in sectors in which they have experience and are better prepared to fill the role of value-added investors, based on this experience (Freear, Sohl, & Wetzel, 1997).

Useful though it is, the static asset/liability approach needs to be supplemented by a more dynamic approach which considers the learning processes of habitual entrepreneurs. Drawing on research applied to managerial decision makers, it is possible to obtain insights for habitual entrepreneurs. If previous entrepreneurial ventures are seen as 'experiments' there is a need for entrepreneurs to evaluate carefully and as objectively as possible the 'feedback' from these earlier ventures (Nystrom & Starbuck, 1984), hence creating a dynamic cycle of learning. Research on human information processing suggests that decision makers typically make use of a limited number of heuristic principles in order to simplify complex and uncertain situations, such as 'anchoring and adjustment' as well as 'availability' and 'pattern recognition' heuristics (Tversky & Kahneman, 1974; Ezzamel & Hart, 1987). This approach has been applied to a comparison between managers and entrepreneurs by Busenitz and Barney (1997), who show that entrepreneurs more than managers are more likely to make use of heuristics and biases. Learning processes may also be influenced by cognitive factors relating to the preferred attitudes individuals possess towards the outer versus inner world, how individuals gather information and the kind of perceptions they prefer, the kind of judgment individuals prefer in decision making and whether individuals prefer to deal with the world in a judging or perceptive mode (Carland, Carland, Ensley, & Stewart, 1994). These processes may not necessarily be appropriate in new situations, especially if the environment has changed (Das, 1981; Prahalad & Bettis, 1986). It may, however, be difficult for decision makers to change their approach, given the importance of cognitive factors and traits, especially if they have been successful (Argyris, 1991).

These approaches provide potentially important insights for the understanding of habitual entrepreneurs and angels. They suggest that habitual entrepreneurs and angels, whether previous ventures were successes or failures, will learn and adjust imperfectly in their subsequent ventures. If habitual entrepreneurs seek to found or purchase a venture, or habitual angels seek to obtain a stake in another business, they may face the problem of identifying another successful idea. 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 such entrepreneurs may not be funded again from this source (Wright et al., 1997b). Previously successful habitual entrepreneurs may attempt to repeat previously successful actions in a changed environment, whilst those who have failed previously may not learn fully from their mistakes.

HOW HABITUAL ENTREPRENEURS PUT PROJECTS OR DEALS TOGETHER

Search processes utilized by habitual entrepreneurs and angels when moving from their first to subsequent ventures are an important aspect of habitual entrepreneurship. Most notably, particular search processes may be associated with higher levels of subsequent business performance. It may also be expected that habitual entrepreneurs and angels are in a more advantageous position to deal with informational asymmetries relating to new projects than are their less experienced counterparts.

Search Process

The evidence currently available suggests that habitual entrepreneurs are much more likely to be proactive than reactive in initiating subsequent ventures (Wright et al., 1997a). Habitual entrepreneurs who buy-out the same enterprise a second time, often having remained as salaried employees, are the most reactive; their opportunity typically arising when the enterprise begins to face performance problems.

The paper by Alsos and Kolveried in this Special Issue compares the nature and sequence of activities undertaken by novice, serial, and parallel (i.e. portfolio) founders towards generating a new independent business. Their study finds that experienced habitual founders were significantly more likely than novice founders to have devoted themselves full-time to their new businesses and to have hired employees at an early stage for their new ventures. The behavior of experienced habitual entrepreneurs was, however, not homogeneous. Parallel founders were markedly more likely than either novice or serial founders to have organized a start-up team, received government funding, applied for licenses and patents, and undertaken sales promotion activities. There were also indications that parallel founders took considerably longer than novice and serial founders to create their businesses. Parallel founders were, nevertheless, significantly more likely not to give up on starting a business, perhaps because they have access to more 'shadow options' (opportunities) (McGrath, 1996) than other entrepreneurs. The business gestation behavior of serial founders did not appear to vary greatly from that of novice founders. Alsos and Kolvereid also provide evidence on the stages in the business start-up process. They note that the three types of entrepreneur appeared to initiate the business start-up process in the same way, each organizing a team, saving money, and preparing a business plan. Parallel founders took longer to reach certain stages and to apply for outside funding. Alsos and Kolveried suggest that this may be because of the time that needed to be devoted to other interests, because the new business ideas may be more complex, and because they already had an income stream from their other businesses.

In undertaking the search process involved in making investments, business angels are faced with the problems of dealing with agency and market risk (Fiet, 1995). Fiet has shown that formal venture capitalists are in general more concerned with market risk while business angels are more concerned with agency risk. A key issue for habitual angels concerns the extent to which experience helps them deal with market risk and agency risk in the search and negotiation processes for subsequent deals. It may be expected that, with experience, angels improve their ability to negotiate an arrangement with entrepreneurs in whom they invest, which better aligns both parties' interests and hence reduces agency risks. In order to reduce market risk, experienced angels may attempt to focus on sectors where they have an informational and skills advantage through both experience and greater research on potential investees.

The paper by Van Osnabrugge in this Special Issue examines the differences between experienced ('serial') angels, defined as having funded three or more unquoted ventures, and their less experienced counterparts. Drawing upon a large sample of angels, this study finds that relative to less experienced angels, serial angels are less concerned with agency risks and more concerned with market risks. Van Osnabrugge, in addition, detected that serial angels limit their investments more to, and conduct slightly more research on, industry sectors in which they have personal experience, prefer markets with less competition, choose to co-invest, are slightly less involved in their ventures, and are less concerned with the location of the venture.

Learning may be an important factor affecting the search process, such that at its simplest habitual entrepreneurs and angels may be more efficient and effective than novice entrepreneurs and investors. However, as intimated earlier, the learning process may be complex and affected both by the nature of initial experience and the cognitive attributes of individuals.

Entrepreneurs completing a management buy-out may have undertaken little search activity and may simply have been reacting to an opportunity that presented itself. Entrepreneurs completing a management buy-in initially are typically faced by asymmetric information problems (Robbie & Wright, 1996), which may create difficulties in restructuring and growing enterprises. There is a need to analyze the extent to which these habitual entrepreneurs have been able to address these problems in subsequent ventures by, for example, taking greater care in enterprise search.

Whether particular types of habitual entrepreneurs and angels are able successfully to identify and undertake a successful subsequent venture is an area yet to be fully explored. Scott and Rosa (1996a, 1996b) have provided evidence that suggested portfolio entrepreneurs create new legal entities as a means of testing new products in the knowledge that if they fail, the loss could be insulated from other firms they own. Portfolio entrepreneurs may, however, focus insufficient attention on each of their individual ventures and experience either uncontrolled or weaker growth. Serial founders placing greater emphasis on achieving a particular goal may be seen as attempting to reduce uncertainty by crystallizing their gains through disposal.

As intimated above, habitual entrepreneurs and angels, if successful, may be expected to have greater access to funds than novice entrepreneurs. Serial entrepreneurs and angels who have successfully exited from their initial venture may have generated sufficient funds to use personal resources to finance their subsequent venture(s). Serial angels, in addition to funds, may be in a better position to act as lead investors based on the experience garnered from the previous investment. As a lead investor, these serial investors bring together groups of angels for an investment opportunity, with these other investors relying on the due diligence of the lead investor. If serial entrepreneurs are not successful in their first venture, they may still be able to raise funds; research 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., 1997b). 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 make use of finance from existing customers and suppliers. These provide alternatives to banks and venture capitalists, but in addition habitual entrepreneurs may have developed more sophisticated skills in searching for finance. To the extent that different types of habitual entrepreneur can be identified and differing motivations for habitual entrepreneurship are found to exist, it may be expected that the process of searching for second or subsequent ventures will vary both from the first venture and across differing types of habitual entrepreneurs. Overall, the search processes issue is not yet well understood.

Financing Independent Ventures

Successful habitual founders may be expected to have greater access to funds than novice founders, yet there may be differences between serial and portfolio 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), while portfolio founders may be able to lever up resources from their existing businesses. The paper in this Special Issue by Westhead and Wright finds that portfolio rural founders were significantly more likely to have used multiple sources of finance during the launch period of their surveyed businesses. Serial urban founders were significantly more likely to have used multiple sources of finance during the launch period of their surveyed businesses. Supporting the view that serial urban founders may have used funds received on exiting from their last venture to fund the next, these founders were significantly more likely than novice and portfolio urban founders to have used funds from personal savings, family, and friends.

Negotiating First and Subsequent Deals

Case study evidence shows that habitual entrepreneurs perceive clear benefits in negotiating further deals as a result of their initial experience (Wright et al., 1997a). Serial entrepreneurs involved in a management buy-in seem to generally face problems associated with identifying a suitable subsequent venture. Moreover, some serial entrepreneurs have problems negotiating an acceptable purchase price, obtaining and structuring finance, and agreeing to the expected lifecycle of an investment. Portfolio entrepreneurs establishing, inheriting, or purchasing a further business generally face issues concerning the appropriate legal form of their subsequent new venture. Further, they have to address the issue of linking/separating their new venture from their other business interests (e.g., whether the new venture will be financed from other business interests or through separate financing arrangements).

For the financier, the main areas of difficulty in dealing with habitual entrepreneurs relate to the fact that habitual entrepreneurs are more experienced. Habitual entrepreneurs are more likely to understand the financing process than novice entrepreneurs. Moreover, experienced habitual entrepreneurs are able to foresee the financiers' negotiating techniques. Evidence presented by Wright et al. (1997b) suggests that habitual entrepreneurs are not overly concerned with hands-on management by external financiers. Other potential problem areas, such as running an auction of funders, insisting on a greater say in the timing and nature of business exit, and vetoing syndicate membership also do not appear to be major problems.

Case study evidence suggests that habitual entrepreneurs are more likely to use the same banker with regard to the financing of subsequent ventures (Wright et al., 1997a). They are, however, less likely to repeatedly use the same venture capital firm. The extent of this repeat use of professional advisers appears to fall between these two. Evidence from venture capital firms, however, suggests that financiers have hitherto not been particularly proactive in seeking to reinvest in entrepreneurs who have exited from initial investments (Wright et al., 1997b). As a result, many venture capital firms may be missing a number of potentially attractive investment opportunities. In addition, evidence from venture capital firms suggests that habitual entrepreneurs do shop around for sources of finance.

Wright et al. (1997b) noted that the main reasons cited why venture capitalists refused to invest in an experienced entrepreneur's next project concerned the difficulties in identifying a viable project the next time around and changes in the venture capitalists' investment criteria. Case study evidence also suggests that successful habitual entrepreneurs with good reputations are reluctant to be involved in projects that may undermine their standing amongst the financial and business community. Taken together with a typical desire to invest a smaller proportion of their wealth the second time around, these observations suggest that many habitual entrepreneurs become risk averse over time. In addition, habitual entrepreneurs are less likely to invest their own financial resources in risky ventures.

The Life-Cycle of Habitual Entrepreneurs' Behavior

There is little direct or indirect evidence on the life-cycle issue but it seems likely that it will vary between types of project and habitual entrepreneur. Wright, Thompson, Robbie, and Starkey (1994), suggest that the life-cycle of an investment is directly related to the objectives of entrepreneurs and financiers. In the context of portfolio entrepreneurs, this may mean the establishment of a new venture as a means of developing risky projects separate from other activities. If the subsequent venture fails, portfolio entrepreneurs appreciate that this individual business failure will not have an adverse effect on their other (or core) income-generating activities. Some portfolio entrepreneurs may begin to lose interest in risky projects when it becomes apparent that one of their businesses is unlikely to be viable or to achieve a significant market share. The characteristics and competencies of habitual entrepreneurs seem likely to influence the point at which interest in a project is lost. Habitual entrepreneurs who are particularly motivated by starting up a new venture or turning around an existing business may lose interest once the initial phases of business development are completed because they do not want to be involved in the more routine aspects of running established businesses.

THE PERFORMANCE OF BUSINESSES OWNED BY NOVICE, PORTFOLIO, AND SERIAL ENTREPRENEURS

As intimated above, individuals may engage in habitual entrepreneurial ventures for a variety of motives and some may not be strongly oriented toward growth or profit maximization. Faster business growth and greater profitability may be expected from experienced entrepreneurs if they are more likely to be opportunistic type entrepreneurs; the less growth-oriented craftsman types may be content to stay with their original business or not to found another business when they exit their first one. Evidence surrounding the performance of businesses owned by habitual entrepreneurs is rather limited.

Neither Kolvereid and Bullvåg (1993) nor Birley and Westhead (1993b) were able to identify performance differences between businesses founded by novice entrepreneurs and habitual entrepreneurs. The paper in this Special Issue by Westhead and Wright finds no statistically significant differences in performance between the rural businesses owned by novice, serial, and portfolio founders nor between the urban businesses owned by the three types of founder. However, in both types of locality, businesses owned by serial rural founders tended to be larger and to be somewhat more likely to have increased their profits in the last year and to have experienced the largest increase in employment.

These patterns suggest that entrepreneurial experience per se may not necessarily have beneficial effects in future ventures. There may be problems in identifying an attractive venture the second time around, or habitual entrepreneurs may seek to repeat actions that were successful the first time in conditions that are quite different. The finding that there were some differences between portfolio and serial founders may suggest that the latter may be more successful by being more focused on developing a particular business rather than maintaining a proliferation of businesses, as is the case with portfolio founders.

PROBLEMS WITH PREVIOUS STUDIES

The above discussion has indicated that few studies have been conducted surrounding the characteristics and performance of habitual entrepreneurs and angel investors. Most studies were conducted during the 1980s (Cross, 1981; Keeble & Gould, 1985; Anonymous, 1986; Donckels et al., 1987; Hisrich, 1988; Westhead, 1988; Turok & Richardson, 1989) and they generally were not designed to focus upon the habitual entrepreneurship phenomenon. Rosa (this issue) introduces the concept of entrepreneurial performance to distinguish performance through creating a cluster of ventures rather than through growing a single one. Future studies focusing upon habitual entrepreneurs and business angels should address the following issues:

1. Most studies have focused upon aggregate samples of entrepreneurs and as a result the contributions made by business owners/businesses in particular localities have generally been ignored. There is a need for further research examining local dimensions of habitual entrepreneurship.
2. Studies have generally focused upon business owners/businesses engaged in manufacturing and services activities. There is a need for more research surrounding the scale and nature of the entrepreneurship phenomenon focusing upon specific subsectors.
3. Most studies have explored the habitual entrepreneurship phenomenon in isolation. Studies need to be conducted which compare the characteristics and motivations of different types of habitual entrepreneurs with each other and with novice entrepreneurs. Sectoral differences between angel investing needs to be examined to determine if sector specific characteristics exist for the angel investment activity, and if so, to determine the nature of these differences.
4. Studies have generally failed to gather information on all the businesses owned by portfolio entrepreneurs. A notable exception to this trend is the work conducted by Rosa and Scott (1998) in which case study evidence was collected on a small sample of portfolio entrepreneurs in Scotland.
5. The majority of studies conducted on habitual entrepreneurs have derived information from postal surveys (Kolvereid & Bullvåg, 1993; Birley & Westhead, 1993a; Carter, 1997, 1998; Westhead & Wright, 1998, 1999, this issue). Moreover, the evidence analyzed is generally drawn from studies that were not explicitly designed to compare the characteristics and contributions made by novice, portfolio, and serial entrepreneurs.

These surveys generally suffer from: the well-known weaknesses of this approach and from additional problems relating to difficulties in generalizing the results from regional surveys to a national level; failure to develop and present a theoretical framework and research propositions/hypotheses; the use of simple descriptive statistics or inferential statistics; a general failure to use a matched-paired sample methodology to detect real differences between the three types of entrepreneurs rather than simple demographic sample differences; and a general absence of multivariate statistical analysis highlighting the combination of differences between types of entrepreneur.

6. Further detailed case studies illustrating the potential heterogeneity within the habitual entrepreneur group need to be conducted.

DIRECTIONS FOR FUTURE RESEARCH

In the light of the discussion of previous studies presented in this paper, additional research in this area is clearly warranted. We believe researchers should consider the following research directions.

1. Studies should examine the full scope of the activities of entrepreneurial individuals, rather than focusing solely upon individual businesses.
2. There is scope for a multi-faceted approach to future studies of habitual entrepreneurship and angel investment which includes both quantitative and qualitative methods. Moreover, there is a need for additional research that covers habitual entrepreneurs' and angels' involvement in both newly established as well as existing ventures.
3. National-level studies need to be conducted which measure the scale and nature of habitual entrepreneurship and the 'total' economic and social contributions made by portfolio entrepreneurs and angels. In addition, the characteristics and performance of different types of entrepreneurs/businesses in rural environments should be compared with those located in urban environments.
4. The characteristics (traits), motivations, and decision-making heuristics and biases of novice, portfolio, and serial entrepreneurs need to be collected and compared with one another.
5. The attitudes, behavior, and characteristics of potential and active angels (both serial and portfolio) need to be compared to uncover any discernable differences and to develop strategies to mobilize the potential angels as active investors.
6. The factors that trigger an individual to become a habitual entrepreneur need to be identified. The trigger(s) cited by serial entrepreneurs need to be compared with those cited by portfolio entrepreneurs. Diversity within the broad 'portfolio' and 'serial' entrepreneur sub-groups should be highlighted and explained.
7. The motivations and management practices of a variety of sub-groups (e.g. females, minority groups, family business backgrounds) of habitual entrepreneurs should receive additional research attention. With regard to entrepreneurs from a family business background, further information may confirm the view that the owners of family businesses develop a portfolio of businesses in order to resolve succession or sibling rivalry issues. In addition, there is a need to consider cases involving 'team' or 'co-founder' habitual entrepreneurs. This point may be of particular relevance to management buy-outs and buy-ins, where typically two to five senior directors lead the venture (Robbie & Wright, 1996), with questions concerning the contribution of team/co-founder members and the durability of such associations being especially important.
8. The assets and liabilities associated with previous business experience cited by serial and portfolio entrepreneurs need to be identified. Moreover, the specific competencies of

successful and unsuccessful portfolio and serial entrepreneurs need to be assessed, especially the relative importance of those competencies relating to business creation and more routine business management.

9. There is a need to probe more deeply into the 'quality' rather than the 'quantity' of prior entrepreneurial and investing experience. Moreover, there is a need to know what, whether, and how habitual entrepreneurs and angels learn from their previous business ownership/investment experiences.
10. The search processes undertaken by novice, portfolio, and serial entrepreneurs need to be identified and assessed.
11. The variety of strategies selected and used by entrepreneurs to their portfolio of business interests should be explored.
12. The relationship between financial institutions and serial and portfolio entrepreneurs warrants additional research attention. Most notably, do financial institutions treat novice, serial, and portfolio entrepreneurs differently with regard to financing arrangements?
13. The relationship between angels (novice, serial, and habitual) and the sources of later-round funding, most notably formal venture capital, needs to be addressed. This includes the two-way flow of information on investment opportunities between the formal and informal market, the extent of co-investment activity, and the succession of investments from the informal to the formal market.
14. Information should be collected on all the businesses in which surveyed portfolio entrepreneurs have an ownership stake.
15. The management practices of businesses owned by novice, portfolio, and serial entrepreneurs should be identified.
16. The total economic contributions of individual entrepreneurs needs to be monitored and assessed. Further research is required focusing upon whether multiple business ownership is an appropriate and reliable indicator of the performance of entrepreneurs.
17. The performance and economic contribution of businesses owned by novice, portfolio, and serial entrepreneurs should be identified.
18. We need to know whether the formation of a new business or the acquisition of an additional business by a portfolio entrepreneur actually enhances the performance of other businesses owned by this group of entrepreneurs. Additional information is also required concerning whether a portfolio entrepreneur maximizes her/his income by running each business owned as a separate, self-standing profit center or by actively linking her/his group of businesses together?
19. There is a need to develop an empirical taxonomy of habitual entrepreneurs utilizing quantitative data surrounding the characteristics, motivations, and traits of business owners. The performance and economic contributions of businesses owned by different types of habitual entrepreneurs need to be compared.
20. Likewise, while the general characteristics of angel investors have been studied, a quantitative taxonomy along this broad spectrum needs to be developed as a means of better understanding the angel population.
21. A matched-paired methodology or multivariate statistical techniques should be utilized to identify 'real' differences between novice, portfolio, and serial entrepreneurs rather than demographic sample differences.
22. Detailed case studies need to be conducted with different types of habitual entrepreneurs. Moreover, information is required surrounding the career progressions reported by entrepreneurs. Evidence surrounding the life histories of portfolio and serial entrepreneurs and of habitual angels should, therefore, be collected. These data would enable longitudinal studies to be undertaken which track the processes involved in habitual entrepreneurship and angel investment.

23. Studies focusing upon the contributions made by habitual entrepreneurs and angels in specific industrial sectors should be conducted.
24. There is a need for further systematic research of both a qualitative and quantitative nature that examines the initiation processes leading to the ownership of subsequent ventures by portfolio and serial entrepreneurs, especially because the evidence shows that the inability to identify a profitable transaction is one of the main reasons why venture capitalists do not reinvest in habitual entrepreneurs.
25. There is a need for further research that directly compares novice, portfolio, and serial entrepreneurs and angels with respect and the most and least difficult aspects of putting deals together, and to the timescales involved in the various stages of putting different types of deals together.
26. Additional research is required surrounding the criteria used by habitual entrepreneurs when they select financiers and professional advisers.
27. Further research is warranted that focuses on whether the support network can encourage the formation and growth of constellations of business ownership clusters owned by a number of 'local heroes' in a community.
28. Given that we know that habitual entrepreneurs typically screen and reject a number of potential investments prior to investing in subsequent ventures, there is a need to understand habitual entrepreneurs' selection criteria and the main reasons they reject particular types of deals.
29. Further research is required surrounding the main reasons given by financiers for rejecting deals involving habitual entrepreneurs.

CONCLUDING COMMENTS

Both the discussion in this Introduction and the papers contained in this Special Issue indicate considerable scope for further research. This diverse research agenda suggests there is a need for a multi-faceted approach to future studies of habitual entrepreneurs and angels which includes both quantitative and qualitative methods and which covers their involvement in both newly established and existing ventures (i.e. management buy-outs and buy-ins).

Research concerning habitual entrepreneurs and angels has potentially important implications for policy makers and practitioners. To the extent that differences between different types of habitual entrepreneurship are identified, there are implications for investment identification, screening, and monitoring policies of banks and venture capitalists which may assist in analyzing the assets and liabilities of entrepreneurs' experience. Differences in performance between different types of entrepreneur may assist policy makers in assessing the direct and indirect net benefits of assistance to habitual entrepreneurs. In respect of habitual angels, entrepreneurs and other angels may obtain insights about 'better' investment approaches derived from experience. Evidence on the experience of habitual angels may help business introduction services to identify areas where their assistance is needed for both angels and entrepreneurs.

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