

SERIAL ENTREPRENEURSHIP: AN EXPLORATORY ANALYSIS OF AUSTRALIAN FIRMS

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ABSTRACT

Serial entrepreneurs are business owner-operators who commence, operate and dispose of a number of business ventures. This paper draws on data from 199 micro firms in New South Wales, Australia to explore the background and characteristics of a cohort of serial entrepreneurs, identify some aspects of their current operations, and assess whether the businesses of these serial entrepreneurs are more likely to grow than other entrepreneurial ventures.

The results indicate that serial entrepreneurs tend to be male, relatively well educated, aged between 30-49, and Australian-born. Many (just under half) come from a family with a prior background in business ownership. A third of them concurrently operate another business, and a majority has a strong growth orientation.

Analysis of data between serial and other entrepreneurs reveal some statistically significant differences between the two cohorts. Compared to other entrepreneurs, serial entrepreneurs are more likely to concurrently operate another business; less likely to operate their current venture as a home-based enterprise; and more likely to want to expand their business in future. Serial entrepreneurs, when compared to other entrepreneurs, also tend to be slightly older, are more likely to be male, and are more inclined to buy a business as a going concern.

INTRODUCTION

Many studies of entrepreneurship examine the business venture, or the entrepreneurial individual, at a particular point and often overlook the fact that, for many people, entrepreneurship may as much be an on-going way of life as it is a particular business project. For these individuals, enterprising activity may mean undertaking several different projects over the course of a working life. The end result is the creation, expansion and termination of a series of different business ventures over many years.

In recent years, this notion of so-called “habitual,” “serial” or “continual” entrepreneurship has begun to be explored in some detail within the academic community. However, the body of knowledge about such operators is still limited. Much more remains to be known about serial entrepreneurs. What are the particular personal characteristics and demographic features of such businesspeople? How do they operate their businesses? And do they differ in any substantive way from other entrepreneurs?

The purpose of this paper is to attempt to shed some further light on serial entrepreneurs. It examines some recent evidence concerning the personal background and business operating features of such business owners, and compares them to other entrepreneurs, drawing on data from a recent large-scale survey of micro-enterprises in New South Wales, Australia.

LITERATURE REVIEW

The notion that some entrepreneurs may engage in multiple business ventures, either simultaneously or sequentially, has been explicitly recognised by a number of researchers. Early contributors to the field included MacMillan (1986) and Donckels, Dupont & Michel (1987). However, despite MacMillan’s (1986) challenge to learn more about habitual entrepreneurs, Wright, Westhead and Sohl (1998) argue that little had been achieved prior to 1998. A search of the literature since that time also reveals only a small handful of new research contributions.

A first issue to be dealt with in this field is semantic: what exactly is a serial, habitual, repeat or continuous entrepreneur? All of these terms have been employed at one stage or another, yet different authors have occasionally ascribed different interpretations to each of them. For example, Hall (1995) developed a dichotomous classification of definitions, which were further refined by Kolvereid and Bullvag (1993), Westhead and Wright (1998), and later by Westhead, Ucbasaran, and Wright (2003). Included in these definitional discussions is the related concept of the portfolio entrepreneur (Hall 1995). This refers to an individual who concurrently operates two or more enterprises (Westhead *et al.*, 2003). The differentiating characteristic between serial and portfolio entrepreneurs is the timing of business ownership, namely whether two or more businesses are operated at the same time. The serial entrepreneur only ever operates one business after another, whilst the portfolio entrepreneur owns multiple businesses at the same time. Not surprisingly, the two categories frequently overlap (Hall 1995).

Whilst the terms are sometimes said to be quite different, the phrases “habitual” and “serial” entrepreneur are also frequently used as interchangeable terms, and can be regarded most simply as an individual who starts one enterprise and then later begins another (Wickham 2004). For the purpose of this paper we focus on serial entrepreneurs as individuals who currently own and operate a business and who have previously owned another enterprise. We also discuss the number of serial entrepreneurs who may also be portfolio entrepreneurs.

Serial entrepreneurs are frequently juxtaposed against novice entrepreneurs. The latter category represents most entrepreneurs and includes current business owners who have no prior experience in creating or owning a business venture (Westhead *et al.*, 2003).

Most research into this phenomenon to date has employed a qualitative case research methodology (eg Rosa, 1998) with limited quantitative analysis (eg Alsos and Kolvereid, 1998). This makes it difficult to generate valid, generalisable findings. Even when quantitative methodologies have been employed, the data and subsequent analysis has frequently been highly aggregated such that detailed information about serial entrepreneurs has been difficult to ascertain (Wright *et al.*, 1998). However, some entrepreneurial demographics appear to have emerged, although the findings are sometimes contradictory. Birley and Westhead (1993) found that the proportion of habitual entrepreneurs to total entrepreneurs tended to be quite small, ranging from 12% to 36%. In contrast, Schollhammer (1991) in a US study found that 51% of entrepreneurs had two or more ventures. Most habitual entrepreneurs appear to be men, and they tend to have higher educational qualifications than novice entrepreneurs (Kolvereid and Bullvag, 1993; Westhead and Wright, 1998).

At the same time, many characteristics of habitual entrepreneurs appear to be either highly heterogenous or quite variable. It appears that they do not always tend to remain in the same industry (Wright, Robbie, and Ennew, 1997), and that their motivations, the type of venture they operate, and the way they manage may in fact vary significantly between their first and subsequent ventures (Wright, Westhead & Sohl, 1998).

Environmental considerations and contextual frameworks, such as enterprise location and stage of the business life cycle, are some issues that seem to have an impact on serial entrepreneurship (Wright, Westhead and Sohl, 1998). The motivations for habitual entrepreneurship can be quite diverse, and include a desire for independence, monetary security, the belief that it ‘adds to the excitement of life’ (Westhead and Wright, 1998), a sense of duty, and the desire to contribute to local communities (Mankelov and Merrilees, 2001; Rosa, 1998).

Serial entrepreneurs conceivably also have some skills and resources that other, novice entrepreneurs will not. It might reasonably be supposed that they will have gained greater experience in launching and operating a business, and thus overcome many of the “learning curve” problems typically experienced by first-time business venturers. However, this does not always appear to be the case: neither Kolvereid nor Bullvag (1993) or Birley and Westhead (1993) could find any evidence to support this contention. On the other hand, there is some evidence to suggest that serial

entrepreneurs are able to better access sources of funding for their next start-up, arguably because of a 'better track record' (Alsos and Kolvereid, 1999; Westhead and Wright, 1998).

Wright *et al.* (1998) identified a number of areas in which future research into habitual entrepreneurship was seen as desirable. These included the background characteristics of the entrepreneur, their management practices, and their behaviour within specific segments of the business population. Identifying the characteristics, firm behaviour and growth orientation of habitual entrepreneurs is also an important issue for policy makers (Westhead *et al.*, 2003). Such research may help in determining if serial business ownership is a reliable indicator of future business performance, and whether or not specific programs should be targeted towards this entrepreneurial subset.

While concern with, and understanding of, this group of individuals is growing; the phenomenon of serial entrepreneurship appears to have received only minor analysis so far amongst one part of the business population: the microfirm sector. Microfirms represent the majority of firms operating in most nations today, yet their role and impact is often overlooked or poorly understood. Traditionally they have been treated as a phenomenon with limited relevance to the wider economy, even though they are in fact a major structural force in almost all societies. In Australia, for example, a business enterprise is deemed to be a micro-firm if it has less than five employees (Australian Bureau of Statistics, 2002). In June 2001, there were an estimated 1.1 million small and medium-sized business enterprises (SMEs) in the country, of which 80% were regarded as micro-sized (Australian Bureau of Statistics, 2002).

METHODOLOGY

Information on respondents was collected during 2003, as part of a study examining the structure and operating practices of employing micro-businesses within the state of New South Wales (NSW), Australia. The study was undertaken by the NSW Department of State and Regional Development, and was based on a survey instrument employed in a prior study of micro-businesses undertaken by the Canadian Government in 2000 (Industry Canada, 2001; Papadaki and Chami, 2002). The NSW survey was restricted to the population of employing firms who had been in existence for at least four years, and stratified to account for proportionate variations in population distribution between regional and metropolitan areas, as well as differences between the goods and services sectors of the economy. The survey was limited to the owner-operators of firms, and conducted through a telephone interview.

The data was collected as part of a larger study into established micro-firms that imposes some potential limitations on the generalisability of the results. For example, the findings cannot be regarded as representing all small enterprises, since they specifically relate to micro-firms; there is also a survivorship bias in that only firms that have existed for four or more years were included. Caution is therefore essential in interpreting the results. Despite these limitations, the results do provide some important understandings of serial entrepreneurs and how they differ from other owner-operators.

As discussed in the preceding literature review, there are a number of ways in which to define a “habitual entrepreneur.” For the current study, a simple and easily operationalised definition was employed, in which a serial entrepreneur was taken to be any person who currently owns and operates a business, and who has previously owned and managed another enterprise.

For the data set examined in this paper, a total of 753 responses were available, of which 199 respondents (26%) indicated that they had previously owned and operated a business before their current venture. The proportion of total respondents who fell into the serial entrepreneur category supports the earlier arguments of both Birley and Westhead (1993) and Alsos and Kolvereid (1998) that serial business venturers exist in substantial numbers amongst the general business community.

RESULTS

In any exploratory analysis of entrepreneurship in applied situations, two sets of factors are often equally important: the personal characteristics and background of the entrepreneurial individual, and the characteristics of the firms that they own. Both aspects were examined in this study. This section starts with a descriptive summary and is followed by a comparison of results between serial and novice entrepreneurs. These comparisons are intended to give an insight into questions such as: Are serial entrepreneurs, and the firms that they operate, different from those run by other entrepreneurs? Are the activities of serial entrepreneurs merely an interesting sideshow, or can it be inferred that there are substantive differences that set them apart from other owner/operators? As most of the data was collected using categorical responses, a Chi-squared test for independence was used to compare groups.

Background Characteristics

As a group, serial entrepreneurs in the survey tend to be male, well educated, aged between 30-49, locally born (Australian), and slightly less likely to have come from a family background of business ownership. More detailed results are included in Table 1, which also forms the basis of comparisons with non-serial entrepreneurs that are presented later in the paper.

Insert Table 1 about here

Overall, firms owned by serial entrepreneurs in the survey tend to have been started from scratch, be family owned, have operated for over ten years, are run as independent firms (that is, they tend not to be franchises), and are based in premises separate to the entrepreneur’s residence. Only a minority continues to concurrently operate another business. They tend to have experienced positive sales growth (but not growth in employee numbers) and express a likelihood that they will expand in the short term. As was the case for personal characteristics, more detailed results are included in Table 2, which also forms the basis of comparisons with non-serial entrepreneurs that are presented later in the paper.

Insert table 2 about here

Differences In Characteristics

Table 1 identifies differences in personal characteristics between serial entrepreneurs and other entrepreneurs. From this perspective there are statistically significant differences (at $p \leq 0.05$) between serial entrepreneurs and other entrepreneurs in respect of gender distribution (with serial entrepreneurs more likely to be male than the overall respondent cohort), and age (continuous entrepreneurs tended to be slightly older than other respondents). In contrast, no significant differences could be found between the two groups on the grounds of educational attainment, country of origin, or early family business involvement.

The fact that serial entrepreneurs tend to be slightly older than other respondents should not be surprising; as Westhead and Wright (1998) and Wright *et al.* (1998) have suggested, prior business experience is accumulated over time, producing a cohort that is usually older than novice entrepreneurs. The relatively low proportion of female habitual entrepreneurs supports the earlier suggestion of Kolvereid and Bullvag (1993) that most serial venturers are males. However, the current findings do conflict with their suggestion that serial entrepreneurs are more likely to have obtained higher educational qualifications than other entrepreneurs; no such difference could be found in this study.

Table 2 identifies differences in business characteristics between businesses owned by serial entrepreneurs and other entrepreneurs. From this business perspective there are statistically significant differences (at $p \leq 0.05$) associated with five characteristics. Compared to other respondents, serial entrepreneurs are: more likely to buy a going concern than other entrepreneurs; less likely to operate their current venture as a home-based enterprise; more likely to concurrently operate another business; more likely to have higher levels of sales growth; and more likely to want to expand their business in future. No significant differences are evident in respect of the family business ownership, duration (years of operation) of the current business venture, franchise operation, or employee growth. While not reflected in the tables, serial entrepreneurs were also asked why they left their previous business. Interestingly only 33 indicated a profitable sale while 23 indicated a lack of profitability. Another 67 cited other reasons that were not available.

These results lend support to the arguments of Wickham (2004), who suggests that the prior experience of serial entrepreneurs means they are likely to operate their business in a somewhat different manner to novice entrepreneurs. They are more likely to engage in portfolio entrepreneurship as a means of spreading or diluting their business risks, and are more comfortable with the notion of operating simultaneous enterprises than are novices. In addition, prior commercial success may provide them with greater financial assets (accumulated capital and access to lenders), which gives them a greater opportunity to buy a going concern than is possible for other business venturers. Their high growth orientation may also reflect a different set of priorities and motivating factors to those of novice entrepreneurs (Wright *et al.*, 1998).

CONCLUSION

This paper has presented some descriptive statistics and exploratory analysis about serial entrepreneurship within the employing micro-firm sector, a group that has not previously been extensively examined. It has confirmed that, for this cohort, the unique differences in personal characteristics and business attributes associated with habitual entrepreneurs do indeed exist. Serial entrepreneurs in the micro-firm sector are more likely to concurrently own another business, more likely to have higher sales growth and be more inclined to expand than other owner-managers. These latter differences compared to the non-serial business cohort suggest that there may be a policy advantage in focusing on serial entrepreneurs as a group more likely to generate greater economic growth and wealth than novice venturers.

Although this paper has identified some important characteristics about serial entrepreneurs, much more still remains to be revealed. For example, why are serial entrepreneurs motivated to start a second or subsequent business? And why do they exit a venture? Does exit reflect a desire to start another business because of 'boredom' with the existing business or a need to experience the thrill of starting another business? Does the overlap with portfolio entrepreneurs suggest preplanning of habitual activities? Alternatively, do serial entrepreneurs exit because they lack the managerial skills to grow a business? Is there a particular point in the business lifecycle at which they are more inclined to exit? These, and many other issues relating to serial entrepreneurship, need to be investigated in more detail by the research community, and may help build a much more complete picture of this sector.

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Table 1 – Differences in Personal Characteristic Between Serial and Other Entrepreneurs

	Serial Entrepreneurs (N = 199)*	Other Entrepreneurs (N = 554)*	Statistical Analysis Results		
			χ^2	d.f.	P
Gender					
Male	145	329			
Female	54	225	11.403	1	0.001
Education					
Post-graduate qualification	24	50			
Bachelors degree	29	74			
College/trade certificate or diploma	52	149			
School certificate or equivalent	42	140			
Up to year 10 school certificate	40	114			
Other	11	24	3.084	6	0.798
Age (years)					
< 30	5	18			
30-39	33	101			
40-49	50	199			
50-59	73	160			
60+	37	72			
No response	1	4	11.798	5	0.038
Born in Australia					
Yes	139	414			
No	60	140	1.787	1	0.191
Family owned business during childhood					
Yes	93	252			
No	106	302	0.092	1	0.804

* Except where missing values excluded

Table 2 – Differences in Business Characteristic Between Serial and Other Entrepreneurs

	Serial Entrepreneurs (N = 199)*	Other Entrepreneurs (N = 554)*	Statistical Analysis Results		
			χ^2	d.f.	P
Business entry method					
Started from scratch	124	370			
Bought as going concern	62	122			
Other	13	62	8.636	2	0.013
Owned by one family					
Yes	179	504			
No	20	50	0.182	1	0.671
Years operating					
4-10	88	207			
11-15	42	107			
15+	69	149	4.663	2	0.097
Franchise					
Yes	11	18			
No	188	536	2.053	1	0.195
Home based					
Yes	61	237			
No	138	317	9.003	1	0.003
Own other businesses					
Yes	76	51			
No	123	503	87.727	1	0.000
Sales growth (% over 4 years)					
Declined	18	67			
No increase	26	113			
< 20	49	125			
20-49	52	127			
50-99	17	56			
100+	34	45			
Refused	3	21	20.346	6	0.002
Employee growth					
Decline	36	98			
No change	89	289			
Increase 1 – 4	62	145			
Increase 5+	12	22	4.326	3	0.228
Expanding next two years					
Not likely	81	299			
Somewhat likely	42	103			
Very likely	67	121			
Don't Know	9	31	141.108	3	0.003

* Except where missing values excluded