

**ARE ENTREPRENEURS BORN OR MADE?  
VIEWS OF ENTREPRENEURS AND VENTURE CAPITALISTS**

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## ABSTRACT

What characteristics do entrepreneurs believe make them successful? We interview entrepreneurs and venture capitalists (VCs) to determine traits that each of these groups perceive as necessary for entrepreneurial success. We show that entrepreneurs cite traits inherent to their nature (e.g., hard working, persistent, risk-taker) significantly more than VCs. We also test to see if entrepreneurs are able to identify factors that VCs consider most important for the funding decision. We find that entrepreneurs who do not have previous VC funding experience differ significantly from VCs in what factors are important for VC funding; whereas, entrepreneurs with previous VC funding experience did not differ from VCs in identifying important funding-decision factors. Overall, our results demonstrate that even though entrepreneurs believe factors they are born with are most important to achieve success, they still learn through experience.

## 1. INTRODUCTION

The question, “What makes entrepreneurs successful?” is important to multiple constituencies. Despite the interest in this question, measuring success has proven problematic because there is no agreed upon definition of what constitutes a successful entrepreneur (Rogoff, Lee, and Suh 2004). In general, most research studies use company longevity as a proxy for entrepreneurial success without consideration of other qualitative or quantitative measures. While there could be many viable definitions of success, a fruitful first step would be to ask entrepreneurs and their capital providers what entrepreneurial traits lead to a successful business venture and whether these traits are an inherent part of an entrepreneur’s character or whether they can be acquired through experience or training. For instance, would an entrepreneur who sought venture capital in the past learn from this experience and change his/her approach and thinking?

A continually debated question in the popular press is whether people are “born” or “made” to be successful. Each year companies spend millions of dollars hiring consultants to train their staff to be successful—with some companies claiming that it worked and others believing it was a waste of time and money. Numerous books, articles, and internet sites argue about what aspects of success are inherent to a person’s nature versus what is learnable through study or experience.

Successful entrepreneurs also carry out this debate with varying opinions about how much of entrepreneurial success can be attributed to nature versus nurture. On one end of the spectrum, Bo Peabody—an internet entrepreneurial multi-millionaire—stated, “One does not decide to be an entrepreneur. One is an entrepreneur. Those who decide to be entrepreneurs are making the first in a long line of bad business decisions (Farrell 2005).” On the other end of the

spectrum Lloyd Shefsky—author, entrepreneur, and adjunct faculty—claims that through his research of more than 200 entrepreneurs that successful entrepreneurs are made and not born (Shefsky 1996). Finally, in the middle of the spectrum are voices like Herb Kelleher, co-founder and former CEO of Southwest airlines, who believes that successful entrepreneurs have a combination of innate character traits and training (Watkinson 2004).

This study asks entrepreneurs and venture capitalist to identify characteristics of entrepreneurs that are important for their success. First, we report which specific *traits* entrepreneurs believe make them successful, thus addressing what entrepreneurs believe in the born versus made debate. Second, we compare the entrepreneurs’ responses to an important “gatekeeper” in small business success—venture capitalists (VCs)—and show that entrepreneurs overweigh inherent characteristics. Third, we demonstrate a statistically significant difference in what the two groups consider to be the most important factors for venture capital funding decisions. Finally, we show that entrepreneurs who have solicited funding from venture capitalists seem to learn from this experience and are able to identify what venture capitalists are looking for in their funding decisions.

The rest of this paper proceeds as follows; in the next section, we discuss relevant literature and our research questions. In section three, we present the methodology used to evaluate our research questions followed by a discussion of the results in section four. In section five, we discuss implications of our findings. We conclude in section six with limitations of our research and recommendations for future studies.

## **2. LITERATURE REVIEW AND RESEARCH QUESTIONS**

### **Entrepreneurial Success**

Many studies have attempted to catalog factors that contribute to entrepreneurial success (Sahlman 1990; Sapienza 1991; Timmons 1994; and Rogoff et al. 2004) and failure (see Zacharakis, Meyer, and DeCastro 1999 for a review of the relevant literature). Past research about entrepreneurship has attempted to define the personality of entrepreneurs, hoping to show that entrepreneurs are intrinsically different from other people (see Smith-Hunter, Kapp, and Yonkers 2003 for a review of the literature). The underlying theme of this type of trait-based research is that no amount of training will make an entrepreneur (Smith-Hunger, Kapp, and Yonkers 2003). However, the results of this stream of research have not produced a definitive personality of an entrepreneur. From these studies, the only consistent difference found between entrepreneurs and nonentrepreneurs is that entrepreneurs have higher achievement motivations (Shaver 1995).

The inability of this line of research to define a specific entrepreneurial personality has caused a debate about the efficacy of personality-based research as a way of finding significant differences between entrepreneurs and others (Aldrich 1999; Begley and Boyd 1987; Gartner 1988; Johnson 1990; Mueller and Thomas 2001; Shaver 1995; Shaver and Scott 1991; Shaver, Gatewood, and Gartner 2001; Spangler 1992). In contrast to the trait-based research, another line of research is looking for ways to better understand the factors that influence how entrepreneurs behave (Baron 1998; Douglas and Shepard 2000; Simon, Houghton, and Aquino 2000). We contribute to this line of research by examining what traits entrepreneurs believe contribute to their success so that future studies can have an established baseline from which they can measure to see if psychological theories predict entrepreneurial behavior.

In a recent study, Rogoff et al. (2004) focused on what makes entrepreneurs successful by asking entrepreneurs and a group of “experts”<sup>1</sup> to define factors that contributed to business

success. They found that entrepreneurs attribute a disproportionate amount of success to factors inherent to an entrepreneur's nature—consistent with their attribution theory motivation—when compared against a group of experts. Of particular interest, the broad sample of entrepreneurs cited individual characteristics (e.g., hard work, ethics, knowledge, dedication, and professional service) 39.8% of the time as factors contributing to their success. In contrast, the experts cited individual characteristics only 27.8% of the time. These results suggest that entrepreneurs overemphasize individual inherent characteristics as contributing to the success of an entrepreneur when compared against a group of experts.

We build on the work of Rogoff et al. (2004) by examining the character traits that entrepreneurs believe create success. Motivating our research is the question, what traits make entrepreneurs successful? Specifically, we measure whether entrepreneurs believe that some entrepreneurs are born to be successful versus being able to learn how to be successful. This question is of particular interest considering the wide range of opinions about whether entrepreneurs are born or made as described in the introduction. Our first research question stated formally is:

Research Question 1 – Do entrepreneurs perceive traits related to inherent attributes as more important for success than traits that can be learned or acquired through experience?

### **Venture Capital Providers**

VCS serve an important role in helping businesses succeed. Previous research has shown that VCs are very successful at predicting new venture success (Sandberg and Hofer 1987; Hall and Hofer 1993). Extensive research has been conducted about how VCs make this decision—most of these studies have produced lists of criteria that VCs consider in the decision process (e.g., Tyebjee and Bruno 1981; 1984; Gorman and Sahlman 1986; MacMillan, Siegal, and

SubbaNarasimha 1985; MacMillan, Zemann, and SubbaNarasimha, 1987). To our knowledge, no study has looked at the traits of entrepreneurs that venture capitalists consider most important for success. We therefore test to see if entrepreneurs and VCs differ in the traits they believe make an entrepreneur successful. Our principal investigation is whether entrepreneurs view inherent traits as more or less important than do VCs. Since VCs are skilled at predicting future venture success, we believe they provide a strong benchmark against which we can compare entrepreneurs' responses. Our second research question stated formally is:

Research Question 2 – Do entrepreneurs perceive that traits related to inherent attributes are more important determinants of success than do VCs?

If entrepreneurs and VCs perceive different characteristic traits as important for success then they might also have different opinions on which companies should receive funding.

Although extensive research has examined what factors VCs consider to be most important in the funding decision, this study investigates how well entrepreneurs understand those factors. Our final research question stated formally is:

Research Question 3 – Do entrepreneurs and VCs differ in their opinion of what factors VCs consider to be most important when making funding decisions?

### **3. METHODOLOGY**

To answer our research questions we interviewed 28 entrepreneurs and 13 VCs, all operating in the state of Utah. Descriptive statistics are presented in Table 1.

Insert Table 1 about here

We categorized the 28 entrepreneurs into seven different industry groupings using the MoneyTree survey definitions.<sup>2</sup> The entrepreneurs belong to the following industries: business products and services, consumer products and services, electronics/instrumentation, IT services, financial services, software, and other. The average number of years the entrepreneurs'

businesses had been in existence was 11.7 (standard deviation=7.8, median=8.5), ranging from 1.5 years to 32 years.

The companies had on average nearly 66 employees (standard deviation=56.5, median=45) ranging from five employees to 200 employees. We selected these entrepreneurs in two ways. First, one of the VC firms provided us with a list of names of entrepreneurs who had received some type of external funding (e.g., VC funding, loan from bank, etc.). Second, we received names from the Brigham Young University Center for Entrepreneurship. All 28 entrepreneurs were operating primarily in Utah.

The 13 VCs are from seven different VC firms and represent the major Utah-based VCs that control virtually all VC money that flows into the state. The investments the VCs make in a single company range from \$230 thousand to \$12 million with an average of just more than \$4 million (standard deviation=\$4.0 million, median=\$3 million). Combined, the VCs had invested in 169 companies in the last five years (ranging from three companies for the smallest VC firm to 41 companies for the largest VC firm). An averaging of investment preferences reveals that the companies collectively prefer to invest most often in early stage companies, followed by expansion stage, later stage, and seed stage, respectively.

To collect our data we had two interviewers meet in person or over the phone (via speakerphone) with all the interviewees and asked them the following two questions:

1. What are some common traits of successful entrepreneurs?
2. How do you (or, How do venture capital providers) decide which companies to fund?

The interviewers recorded the interviewees' responses and then together transcribed the responses into individual phrases. In order to prevent interview and coding biases, the interviewers were not told the research questions. After the interviewers finished transcribing

the conversations, one of the authors combined similar phrases and established category titles for the responses. For question one, the categories included attributes (defined as traits inherent to the entrepreneur's nature), skills (traits that can be taught), experience (traits gained over time), and other (did not fit in the other categories). For question two, the categories included future returns (responses directly related to profits the VC can earn), management (responses related to the management team in place), product/service (responses relating to the good or service the company provides), and other (did not fit in the other categories).

The remaining three authors independently categorized the responses into the different groupings. The authors that performed the coding did not see how many times each item had been mentioned by different interviewees before they categorized the responses. The inter-rater reliability for each question was well within the typical inter-rater reliability scores of 66 to 95 percent as reported by Berelson (1952) (71.1% for question one and 78.3% for question two).

For question one, the entrepreneurs identified 39 unique answers and the VCs identified 30 unique answers. For the entrepreneurs' responses, at least two of the authors did not agree on groupings for two traits. For the VCs' responses, at least two authors did not agree on the grouping for one trait. For question two, the entrepreneurs identified 35 unique answers and the VCs identified 13 unique answers. For the entrepreneurs' responses, at least two of the authors did not agree on groupings for two traits, but for the VCs responses, at least two authors agreed on groupings for all the traits. We exclude from our analysis the traits that at least two authors did not agree upon.

#### **4. RESULTS**

Our first research question asks whether entrepreneurs perceived traits inherent to the entrepreneur's nature as more important for success than traits acquired through learning and

experience. The results, as listed in Panel A of Table 2, show that entrepreneurs cite attributes (inherent traits) 62 times out of the 83 total responses (75%). Skills were cited 11 times (13%) and experience 9 times (11%). Even when skills and experience are aggregated, entrepreneurs still cite traits inherent to their nature more often than acquirable traits.

Insert Table 2 about here

An analysis of the individual responses provides stronger evidence that entrepreneurs believe attributes are the most important factor in success. The five individual traits cited most frequently, as shown in Panel B of Table 2, include five attributes (% of total responses): hard-working (14.5%), persistent (10.8%), risk-taker (8.4%), vision (7.2%), and independent (4.8%). From these results we conclude that entrepreneurs consider traits related to attributes inherent to the entrepreneur's nature as more important for success than learnable traits.

Our second research question asked whether entrepreneurs and VCs differ in what traits they believe are most important for success. The VCs' responses, also listed in Panel A of Table 2, indicate that attributes were the most important factor for success (cited 43 times out of 97 or 44% of the time), followed by experience (33 responses or 34% of the time) and skills (21 responses or 22% of the time). The overall distribution of responses by the VCs was significantly different than the responses by the entrepreneurs when skills and experience are considered separately (chi-square distribution test  $p\text{-value} < 0.0001$ ) and when skills and experience are combined into one category (chi-square distribution test  $p\text{-value} < 0.0001$ ).

To test if each category grouping response is significantly different between entrepreneurs and VCs, we use a binomial test where the number of successes is the number of times cited by the entrepreneur and the hypothetical  $p$  is the category response rate as a percentage of total citations from the VCs. Using this test, we find that entrepreneurs cite

attributes as more important for success significantly more often than VCs ( $p\text{-value}<0.001$ ). In addition, we find that VCs cite experience significantly more often than entrepreneurs ( $p\text{-value}<0.001$ ). Although VCs cited skills (22%) more often than entrepreneurs (14%), the difference is only marginally statistically significant ( $p\text{-value}=0.063$ ). If we combine skills and experience into a learnable traits category, we still find that the difference is statistically significant ( $p\text{-value}<0.001$ ) and that entrepreneurs believe the combination of skills and experience is less important than VCs believe.

Additional analysis of the individual factors that VCs consider as the most important traits for success is also telling (See Panel B of Table 2). While the five most important traits listed by entrepreneurs were all attributes, VCs list three experience factors and two attributes as the most important overall traits for success including (% of total responses): industry/domain/market experience (9.3%), marketing experience (8.2%), passionate (7.2%), leadership (7.2%), and start-up experience (6.2%).

From these analyses, we conclude that entrepreneurs and VCs have significantly different views of important entrepreneurial success traits. Entrepreneurs view characteristics inherent to their nature as more important than VCs. VCs, on the other hand, place significantly more weight on experience than do entrepreneurs.

Our third research question asks whether entrepreneurs and VCs differ in their opinion of what factors VCs consider to be most important in making the funding decision. As seen in Panel A of Table 3, the overall distribution of responses is significantly different (chi-square distribution test  $p\text{-value}=0.024$ ). We found that VCs reported that future returns are the most important factor (40%), followed by management (36%), and then products/services (24%). Entrepreneurs believe that VCs use future returns more for their decision (49%), management

less (25%), product/service less (14%), and other factors more (12%). Comparing the individual categories we find that VC's look significantly more at management and product/service than entrepreneurs believe they do (p-values of 0.043 and 0.046 respectively).

Insert Table 3 about here

A comparison of the top five responses by each group reveals some differences. As seen in Panel B of Table 3, entrepreneurs cited the management team 14 times (18.2%), followed by growth potential five times (6.5%), profitability five times (6.5%), ROI five times (6.5%), business plan four times (5.2%) and market size four times (5.2%). In contrast, VCs cited experienced management 10 times (22.2%), followed by market size six times (13.3%), first-mover/sustainable advantage and patented technology five times each, respectively (11.1% each), and trustworthy management four times (8.9%).

In conclusion, entrepreneurs differ from VCs in the overall distribution of factors that VCs consider most important in the funding decision. Specifically, VCs look significantly more at management and product/service issues when deciding who to fund than entrepreneurs believe they do.

To investigate further the differences between VCs' and entrepreneurs' perceptions of important funding factors, we split our sample of entrepreneurs into two groups: (1) those who have applied for VC funding (nine subjects – experienced entrepreneurs), and (2) those who have not (19 subjects – inexperienced entrepreneurs). We then test for differences in the responses of these groups.

As seen in Table 4, inexperienced entrepreneurs differ significantly from VCs in identifying what VCs look for when making funding decisions (chi-square distribution test p-value=0.025). However, experienced entrepreneurs do not differ significantly from VCs in

identifying what VCs look for when making funding decisions (chi-square distribution test p-value=0.484). Inexperienced entrepreneurs differ most significantly in their view of the importance of management to the funding decision; they cite management as an important factor only 21% of the time compared to VCs who cite management 36% of the time. Experienced entrepreneurs cite management 33% of the time and are not statistically different from VCs. These results suggest that entrepreneurs learn what VCs are looking for only after experience with a VC funding decision.

Insert Table 4 about here

## **5. DISCUSSION AND IMPLICATIONS**

Using a survey of entrepreneurs and VCs, we demonstrate that there is significant difference in what the two groups perceive as the most important traits that an entrepreneur should possess to be successful. Our results demonstrate that entrepreneurs believe that traits that entrepreneurs are born with make up 75% of the factors that contribute to entrepreneurial success. In contrast, venture capital providers believe that only 44% of the traits necessary for success are inherent to an entrepreneur's nature. Venture capital providers believe experience is far more important in determining an entrepreneur's success than entrepreneurs believe.

These results are important to entrepreneurs, VCs, and other groups that deal with entrepreneurs because they show that entrepreneurs believe that success is more a factor of who they are than what they learn: "Entrepreneurs are born not made." Entrepreneurs may therefore undervalue opportunities to gain experience and skills because they do not believe these traits will help them to become successful.

Since we found a difference in what entrepreneurs and VCs identify as the traits necessary for management to be successful, we would expect a difference in what they view as

important factors for deciding which companies VCs should fund. With our second question, we examined the factors that entrepreneurs and VCs consider to be most important in the funding decision process. Congruent with the expectations derived after our first analysis, we find that the two groups emphasize different factors. VCs claim to look at management issues more than entrepreneurs believe they do.

We conduct an additional analysis to determine if entrepreneurs with previous VC funding experience are able to better identify factors that VCs look for than entrepreneurs with no VC funding experience. We find that experienced entrepreneurs were able to better identify the factors VCs consider important for funding decisions. These results suggest that entrepreneurs do learn through experience, even if they believe success comes mostly from inherent characteristic traits. Entrepreneurs who want funding—especially those who have not previously applied for VC funding—may want to consider these findings before applying for venture capital.

## **6. LIMITATIONS AND FUTURE RESEARCH**

The limitations to our research study present opportunities for future research. As with most academic studies, the generalizability of these results may be limited. Because we did not take a random sample of entrepreneurs or VCs, our results may not generalize to the entire population of entrepreneurs and VCs. Also, we examine a relatively small number of entrepreneurs and VCs and our sample is derived entirely from one geographic location. Future studies may wish to extend our study by interviewing more entrepreneurs and VCs, collecting a random sample of entrepreneurs and VCs, or, expanding the geographic coverage in their sample.

In our study, we give equal weight to the interviewees' answers and therefore if a factor was mentioned it carries equal weight with all other mentioned factors. Although there is a clear difference in the number of times each factor was mentioned, entrepreneurs and VCs may place more emphasis on some factors compared to other factors. Future studies may wish to extend our study by seeing if the frequency of factors mentioned is the same as the individual weighting of factors by entrepreneurs and VCs.

We only examined the views of entrepreneurs and VCs and therefore did not capture the views of other important parties such as informal or angel investors, investment-banking firms, and other service providers. Research into what these other parties consider to be important could also provide needed insights.

The final limitation is that we interviewed entrepreneurs about what they perceive to be important traits for success. Although the businesses of all of our entrepreneurs were currently succeeding in the sense that each business was still solvent, we did not attempt to measure the "successfulness" of each entrepreneur. Future studies may want to test whether these attitudes are similar for entrepreneurs that have succeeded and those who have failed.

Future research may also wish to address implications from the results of this study. For example, future research may wish to address such questions as the effects of the "high-inherent-factor attitude"; do entrepreneurs benefit from a university education or training programs given their disposition to believe success is inherent to an entrepreneur; do entrepreneurs with this type of attitude succeed more often; and, is this attitude a result of success, or is it truly inherent to entrepreneurs' thinking.

## ENDNOTES

1. The group of experts used by Rogoff et al. (2004) consisted of professors of entrepreneurship, graduates of an M.B.A. program who majored in entrepreneurship, and business counselors in a college-based entrepreneurship center. One advantage of our study over Rogoff et al. (2004) is that we use VCs as a comparison group. VCs evaluate entrepreneurs and businesses on a frequent basis and prior research has shown that VCs are very successful at predicting new venture success (Sandberg and Hofer 1987; Hall and Hofer 1993).
2. MoneyTree survey definitions can be found online at <http://www.pwcmoneytree.com/moneytree/nav.jsp?page=definitions#industry>.

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**Table 1**  
**Entrepreneurs and VC Demographics**

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<b>Entrepreneurs (n=28)</b>		<b>Venture Capitalists (n=13)</b>		
<i>Industries</i>		Number of Firms		
Business Products and Services	5			
Consumer Products and Services	8	<i>Average Size Investment</i>		
Electronics/Instrumentation	3	Less than \$2 million		
IT Services	5	\$2 million - \$5 million		
Financial Services	3	More than \$5 million		
Software	3	<i>Stage of Investment</i>	<i>First Choice</i>	<i>Second Choice</i>
Other	1	Seed Stage	0	3
<i>Number of Employees</i>		Early Stage	4	1
1-20	5	Expansion Stage	1	3
21-40	7	Later Stage	2	0
41-60	7			
More than 60	9			
<i>Firm Age</i>				
5 Years or Less	4			
6-10	14			
11-20	6			
More than 20	4			

**Table 2**

**Panel A: What are some common traits of successful entrepreneurs?**

<i>Category</i>	<i>Entrepreneurs Times cited (Percentage citations)</i>	<i>VC's Times cited (Percentage citations)</i>	<i>P-value*</i>
Attributes	62 (75%)	43 (44%)	<0.001
Skills	11 (13%)	21 (22%)	0.063
Experience	9 (11%)	33 (34%)	<0.001
Other	1 (1%)	0 (0%)	-
<b>Total</b>	<b>83 (100%)</b>	<b>97 (100%)</b>	

Difference in distribution of responses significant at  $p < 0.0001$ , (chi-square distribution test)

*Category Coding from Interviews*

Attributes (A)	Ability to Focus, Analytical, Attitude of Success, Constantly Learning, Creative, Determined, Discipline, Dreamer, Drive to Succeed, Energy, Flexible/Non-Structured, Good Leaders, Hard Working, Independent, Instinct, Intelligent, Leadership, Likeable, Optimist, Passionate, Persistence, Quality-Minded, Realistic, Risk-Taker, Scrappy, Prime Mover, Self-Starter, Stubbornness, Team Player, Trustworthy/Integrity, Vision, Will to Win
Skills (S)	Ability to Delegate, Close Deals, Communication Skills, Create & Share Vision, Human Relation Skills, Know Numbers, Masters/PhD, Network, Plan in Mind, Presentation Skills, Recruit Top Management, Sales Ability, Skill Sets, Step Down, Strategic Thinking
Experience (E)	Experience Raising Money, Feel for their Business, Good Network of Contacts, Industry/Domain/Market Experience, Knowledge of Industry, Learn from Experience, Marketing Experience, Organize Resources Well, Sacrifices, See Market Gaps, Skin in Game, Start-up Experience, Understand Competitors & Customers, Well-capitalized
Other (O)	Luck

\* Reported p-values are two-tailed results using the binomial test where the number of success is the number of times cited by the entrepreneurs and the hypothesized  $p$  is the % of total citations from the VC's.

**Panel B: Top Individual Responses**

<i>Entrepreneurs Category - Times Cited (% of Total Citations)</i>	<i>VC's Category - Times Cited (% of Total Citations)</i>
A - Hard Working, 12, (14.5%)	E - Industry/Domain/Market Exp., 9, (9.3%)
A - Persistence, 9, (10.8%)	E - Marketing Exp., 8, (8.2%)
A - Risk-Taker, 7 (8.4%)	A - Passionate, 7, (7.2%)
A - Vision, 6, (7.2%)	A - Leadership, 7, (7.2%)
A - Independent, 4, (4.8%)	E - Start-up Exp., 6, (6.2%)

**Table 3****Panel A: How do you (VCs) decide which companies to fund?**

<i>Category</i>	<i>Entrepreneurs Times Cited (% of Total Citations)</i>	<i>VC's Times Cited (% of Total Citations)</i>	<i>P-values*</i>
Future Returns	38 (49%)	18 (40%)	0.104
Management	19 (25%)	16 (36%)	0.043
Product/Service	11 (14%)	11 (24%)	0.046
Other	9 (12%)	0	-
<b>Total</b>	<b>77 (100%)</b>	<b>45 (100%)</b>	

Difference in distribution of responses significant (p=0.024 chi-square distribution test)

*Category Codings from Interviews*

Future Returns (FR)	Ability to Pay Back, Accelerated Growth, Business Plan, Exit Potential, Financials, First-Mover/Sustainable Advantage, Growth Potential, High Reward/Low Risk, Initial/Potential Sales, Liquidity, Margins, Market Size/Potential, Merger Possibility, Quick Payback, Possibility of "Home Run", Potential for Profits, Reliability of Projections, ROI, Strong Syndication (Several VC'S), VC'S Ability to Borrow against your Company
Management (M)	Equity Positions of Entrepreneur, Experienced Management, History of Company, Management Team, Management's Track Record, Owner Invested Personal Cash, Trustworthy Management
Product/Service (PS)	Believe in Product or Service, Demand for Product, Glamour Product, Idea, Must-have Technology, Patented Technology, Product adds Value, Targeting well Understood Problem, Unique Solution, VC has Personal Interest in Product or Service
Other (O)	Gut Feeling, Job Creation, Industry That VC's Interested in, No Idea, VC's have Knowledge of Industry

\* Reported p-values are two-tailed results using the binomial test where the number of success is the number of times cited by the entrepreneurs and the hypothesized *p* is the % of total citations from the VC's.

**Panel B: Top Individual Responses**

<i>Entrepreneurs Category - Times Cited (% of Total Citations)</i>	<i>VC's Category - Times Cited (% of Total Citations)</i>
M - Management Team, 14, (18.2%)	M - Experienced Management, 10, (22.2%)
FR - Growth Potential 5, (6.5%)	FR - Market Size, 6, (13.3%)
FR - Profitability, 5, (6.5%)	FR - First-Move/Sustainable Adv., 5, (11.1%)
FR - ROI, 5, (6.5%)	PS - Patented Technology, 5, (11.1%)
FR - Business Plan, 4, (5.2%)	M - Trustworthy Management, 4, (8.9%)
FR - Market Size, 4, (5.2%)	

**Table 4**  
**How do you (VCs) decide which companies to fund? Differences based on entrepreneurial experience with VC funding.**

<i>Category</i>	<i>Entrepreneurs with No VC Experience (ENOVC) n=19 Times Cited (% of Total Citations)</i>	<i>Entrepreneurs with VC Experience (EVC) n=9 Times Cited (% of Total Citations)</i>	<i>VC Responses (VC) Times Cited (% of Total Citations)</i>
Future Returns	28 (53%)	10 (42%)	18 (40%)
Management	11 (21%)	8 (33%)	16 (36%)
Product/Service	8 (15%)	3 (13%)	11 (24%)
Other	6 (11%)	3 (13%)	0
<b>Total</b>	<b>53 (100%)</b>	<b>24 (100%)</b>	<b>45 (100%)</b>

<i>Category</i>	<i>P-value* between ENOVC and EVC</i>	<i>P-value* between ENOVC and VC</i>	<i>P-value* between EVC and VC</i>
Future Returns	0.123	0.068	1.00
Management	0.059	0.026	0.836
Product/Service	0.681	0.149	0.236
Other	0.840		
Overall difference in distribution using chi-square test	0.217	0.025	0.484

\* Reported p-values are two-tailed results using the binomial test where the number of success is the number of times cited by the entrepreneurs and the hypothesized *p* is the % of total citations from the VC's.