

CHAPTER ONE

Who Is an Entrepreneur?

IT WAS THE FALL OF 1998 and Bob Moog was eager to jump on the Internet bandwagon. As the founder and president of University Games, Moog had been in the game business for well over a decade, producing mystery, trivia, and educational games for adults and children. The St. Louis native first gained media attention when he marketed a board game based on murder mystery parties, a social event conceived in Europe, replete with dramatized mysteries to intrigue guests. On April Fool's Day 1985, Moog founded University Games together with his close friend Cris Lehman, a former accountant. From that point, they went on to sell popular titles such as "Blue's Clues," "20 Questions," "Green Eggs and Ham," and "Where in the World Is Carmen San Diego?"

By the late 1990s, the business had established an international reputation in gaming. Spurred by predictions that cyber traffic would balloon during the 1998 holiday season, Moog sought to join a surge of retailers—including Macy's, Sears, and Kmart—who were rushing to develop an online presence. But how to go about it? University Games (UG) could create an in-house unit devoted exclusively to e-commerce and UG products; or Moog could spin off a new company, which would initially sell toys and games exclusively from the UG family, but would later provide specialty items from other manufacturers. Perhaps sensing that the Internet boom called for a shift in business models, Moog and his colleagues opted for the spin-off.

The new venture, AreYouGame.Com, was headquartered in Burlingame, California, near the northern edge of Silicon Valley. In many respects, this entrepreneurial experience was fundamentally different than the founding of University Games years before. Whereas Moog's earlier startup effort had relied on a shoestring budget of \$20,000 in seed funding and an office sublet from the father of his former girlfriend, the new venture had the backing of a corporation with \$50 million in annual revenues. Still, the social blueprint of the new business was similar to that of many dot-com startups. Jim Stern, the firm's new general manager, emphasized that "we eat together, play games together, and service our customers together." Years later, the company would continue to tout the "cracker-jack team" that founded it and argue that this was the "secret formula" in the success of the enterprise.

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Despite such pronouncements, the family atmosphere at AreYouGame.Com faced challenges at an early stage. In 1999, Bob Moog was courted by Toys ‘R’ Us, which sought to do more of its business online. Moog was publicly named CEO of the online Toys ‘R’ Us unit in May, but the arrangement suddenly fell through two months later. A statement from the giant toy retailer simply noted that Moog was “unable to extricate himself from his responsibilities as founder and CEO” of University Games. Moog’s inability to “extricate himself” ultimately proved propitious. Toys ‘R’ Us ended 1999 in disarray and its e-commerce unit was soon pummeled by the bursting Internet bubble. When Moog announced, two years later, that he thought AreYouGame.Com deserved the label “last one standing” in the volatile e-commerce toy market, he could also have been referring to his own longevity in the capacity of a dot-com entrepreneur.¹

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Around the time that Moog was developing his Internet startup, John and Emily Koslowski were pursuing their own entrepreneurial venture halfway across the country. John, age forty-four, was an experienced technician with a background as a military officer, and Emily, age fifty, worked in an office. Following John’s military service, the Koslowskis had settled down in St. Clair County, Illinois, just outside of St. Louis. John had been thinking about starting his own business since he was in his early thirties and, as he approached his fortieth birthday, he decided that it was time for a change. In August 1993, he and Emily began to plan a startup that would put his technical skills to use in refrigerator repair and servicing.

The business was set up as a service franchise that John and Emily would operate out of their home. John would be responsible for the day-to-day operation of the business, while Emily would handle occasional clerical functions. One barrier to getting the franchise off the ground was financial: John believed that the business would need a large cash infusion to be self-sustaining and he had soon invested some \$50,000, culled from savings, credit card debt, and a loan from a personal finance firm. Despite a contribution from Emily, the funds did not seem sufficient to cover the costs of supplies and hiring an employee to help John. The Koslowskis decided to approach Emily’s elderly mother, who offered to give them another \$12,000 in financial assistance.

A second barrier for the startup was John’s own lack of entrepreneurial experience. John had plenty of opportunities to “manage” in the military, but this exercise of authority did not necessarily translate well in the pri-

vate sector. Shortly after he started working full time on the service franchise, in March 1994, John began to take classes and workshops on starting a business. Over the next few years, he would complete a dozen courses to bolster his entrepreneurial skills and clock about 2,000 hours in the classroom.

By the fall of 1998, the Koslowskis had much to be proud of. Their business was listed in the phone book and they had hired an employee, albeit on a part-time basis. John believed that his own business training, which was now extensive, was the most important contribution that he brought to the enterprise. Still, all was not well in the refrigerator repair business. Although the startup had first posted revenue in October 1994, monthly revenue typically did not exceed expenses some four years later. Surprisingly, John himself did not put money problems at the top of his list of worries about the business. Instead, he wondered about the strain of the partnership on his marriage and how he could better balance business and family life. John was also aware that he was missing other opportunities as a result of the entrepreneurial endeavor.

In September 1999, the Koslowskis pulled the plug on the service franchise. John spent some time looking for work and remained ambivalent about his time as an entrepreneur. Asked whether he would give it another go, he answered that it would need to be under the right conditions.²

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Paralleling much of the academic literature on the topic, the Koslowskis' refrigerator repair franchise and Bob Moog's game e-commerce site offer very different images of entrepreneurship. Is entrepreneurial activity a matter of innovation? Of organizational creation? Of branching out on one's own? Or of risk-bearing and uncertainty? Entrepreneurship scholars have tackled these images in the abstract, offering taxonomies of entrepreneurs and discussions that seek to adjudicate definitional disputes (for recent reviews, see Aldrich and Ruef 2006: chapter 4; Ruef and Lounsbury 2007). It takes the experiences of real entrepreneurs, however, to put flesh on the bones of these distinctions.

The economist Joseph Schumpeter famously declared that "the function of entrepreneurs is to reform or revolutionize the pattern of production" (1942: 132) and that we ought to pay special attention to new combinations of existing methods and technologies (Schumpeter 1934). Moog's effort to reorganize the board game industry through an online mechanism of marketing and distribution conforms reasonably well to Schumpeter's conception. In effect, Moog combined an established product (board games) with an emerging technology (the Internet). By contrast,

the Koslowskis' refrigerator repair business was comparatively humdrum, especially when pursued within a franchise model. Schumpeter's description of "innovative" entrepreneurship would seem to exclude such mundane instances of organizational replication.

A similar conclusion holds if we apply a second definition, which conceptualizes entrepreneurship as a *successful* act of organizational founding (see Carroll and Khessina 2005). Here the locus of attention shifts from individual entrepreneurs to the emergence of viable enterprises. But when can we claim that the founding process of an organization is complete? By 1998, the Koslowskis had an entry in the phone book, full-time commitment to the startup (at least, on John's part), some external funding, and numerous completed service calls to customers. Yet their franchise lacked other features—including positive cash flow, a physical presence outside of the home, and full-time employees—often used to demarcate operating businesses from other arrangements (e.g., self-employment). Given the processual nature of organizational startups, this definition of entrepreneurship contributes to considerable variation in the businesses enumerated by different markers of founding (Aldrich et al. 1989; Ruef 2005).

Still other perspectives on entrepreneurship lead to the conclusion that the Koslowskis' venture may have been *more* entrepreneurial than Moog's e-commerce spin-off. The German sociologist Max Weber, in particular, is credited with a definition that opposes the role of the entrepreneur with that of the managerial bureaucrat (Hartmann 1959; Swedberg 2005: 87–88). In his influential discussion of bureaucracy, Weber noted that the "[entrepreneur] is the only type who has been able to maintain at least relative immunity from subjection to the control of rational bureaucratic knowledge" (Weber 1968: 225). Because Moog's new endeavor was so intimately tied to University Games, this definition raises the question as to whether he was truly "immune" from the bureaucratic demands of his other business. Indeed, the statement by managers at Toys 'R' Us following their unsuccessful recruitment effort would seem to claim the opposite: Moog "was unable to extricate himself from his responsibilities as founder and CEO" of University Games.³

A complementary image of an entrepreneur follows the eighteenth-century economists Richard Cantillon and Jean-Baptiste Say, who emphasized the literal interpretation of the term as someone who "undertakes" the risks of a business or enterprise (see Xu and Ruef 2004 and Brockhaus 1980 for empirical critiques). Here again, the Koslowskis' venture arguably appears more entrepreneurial than that of Bob Moog. While their refrigerator service franchise required that much of their personal savings and credit be placed at risk, Moog's Internet spin-off

could rely on the deep pockets and reputation of an established firm. By sponsoring a new venture (rather than creating an in-house unit), Moog and his team also insulated University Games from the risks of a novel e-commerce site.

The apparent incompatibility of different definitions of entrepreneurship has led many scholars to seek an alternative approach. Some have suggested that the term “entrepreneur” be dropped altogether, given its ambiguity in both everyday language and in the academic literature.⁴ Others, most notably William Gartner and his colleagues (1988), have proposed that asking “Who is an entrepreneur?” is simply the wrong question. Instead of focusing on individual entrepreneurs, their personality traits, and accomplishments, they have argued that entrepreneurship be seen as a series of activities culminating in the process of organizational creation. This conception substitutes an emphasis on properties of *emerging* organizations for properties of viable organizations and their founders (Katz and Gartner 1988).

Building on the “emerging organization” perspective, this book offers yet a third alternative. It begins with the intuition that startup efforts such as those initiated by Moog or the Koslowskis share important features because they involve *collective action* that is oriented toward the founding of a new organization. In contrast to a state of self-employment, these individuals have an active interest in recruiting others to work with them, as co-founders, employees, investors, advisors, or unpaid helpers. This social process allows John Koslowski’s partnership with his wife and Bob Moog’s “crackerjack team” at AnyOneGame.com to be studied using a common lens. Entrepreneurs, in this conception, are defined by their intention to form a *social group*.⁵

An emphasis on entrepreneurial groups does not lead to an elision of the question as to “who is an entrepreneur?” but reconceptualizes it in fundamental respects. Rather than split individuals into discrete categories of entrepreneurs and non-entrepreneurs, the perspective considers entrepreneurship to range on a continuum that connects individuals to entrepreneurial groups based on their material and time investments, social networks, identities, and goals. Considering the Koslowskis’ refrigerator repair franchise as one example, the perspective asks *to what extent* might Emily Koslowski be considered an entrepreneur? Or Emily’s elderly mother, who has served as an “angel” investor for the business? Or the Koslowskis’ part-time employee, whose commitment to the venture may range from disinterested to opportunistic to altruistic? The porous boundaries of entrepreneurial groups argue against simple answers to these questions and, instead, call attention to the social and economic processes that embed individuals in entrepreneurial activity.

Why Study Entrepreneurial Groups?

At first glance, a definition of entrepreneurship that emphasizes social groups may appear to be at odds with empirical evidence. In 2005, the Internal Revenue Service received income returns from more than 21 million nonfarm sole proprietorships and another 8.5 million partnerships and corporations (U.S. Department of Commerce 2009). Classified based on legal status, then, one might argue that over 70 percent of the businesses in the United States involved a single entrepreneur. Using employment statistics as another criterion, it is well established that the majority of business enterprises are extremely small (Granovetter 1984). While the Small Business Administration (SBA) identified more than 640,000 new employer firms created between 2004 and 2005, estimates for non-employer firms account for approximately three times that total, even when restricted to enterprises with receipts of \$1,000 or more (U.S. SBA 2009). Whether based on owners or employees, the number of individuals involved in “entrepreneurial groups” must therefore seem quite modest relative to a residual category of self-employed workers, or solo entrepreneurs.

Classical treatments of entrepreneurship echo this emphasis on solo entrepreneurs. In his *Theory of Economic Development*, Schumpeter offered a vision of heroic individual entrepreneurs, possessed of “supernormal qualities of intellect and will,” who pushed the frontiers of capitalism (Raines and Leathers 2000: 377; Harper 2008). Considering the locus of innovation in advanced capitalism, he later juxtaposed large-scale corporations to this individualist ideal-type (Schumpeter 1942), without considering entrepreneurial groups as an intermediate social form.⁶ In *Economy and Society*, Weber’s analysis was likewise implicitly concerned with solo entrepreneurs, noting that “it is the peculiarity of the modern entrepreneur that he (*sic*) conducts himself as the ‘first official’ of his enterprise” (1968: 957). James Coleman (1986) cites Weber’s earlier landmark study, the *Protestant Ethic and the Spirit of Capitalism*, as a useful application of methodological individualism, tracing the impact of worldly asceticism on the values of individuals and then suggesting how these individual entrepreneurs might engender change in the (capitalist) economic system as a whole. By contrasting a macro-level analysis that emphasizes entire cultures and economies with a micro-level analysis that focuses exclusively on individuals, Coleman’s interpretation ignores group processes that may mediate the relationship between these levels.⁷

Although conceptual and empirical treatments continue to sustain an image of the solo entrepreneur, it is a central thesis of this book that this image is at best misleading and at worst, mythological. While a number of factors may have contributed to an individualist view of entrepreneurs,

four appear particularly relevant: (a) official statistics (such as those collected by the IRS, Census, and SBA) are poorly equipped to measure the social scope of organizational startup activity; (b) past empirical and conceptual treatments have overwhelmingly focused on the social scope that entrepreneurs were able to achieve, not what they intended to achieve, when they initiated their startup; (c) the narratives advanced by the mass media and entrepreneurs themselves place a spotlight on heroic individuals rather than dutiful or recalcitrant members of entrepreneurial groups; and (d) academic conceptions have also tacitly adopted the popular portrayal of entrepreneurs as rugged individualists, without subjecting this view to critical reflection.

The first issue entails a problem of data. Administrative statistics, such as those generated in the aggregate for IRS returns, offer crude proxies for the number of individuals involved in any given business venture. The vast numbers of sole proprietorships that have been enumerated in the United States are based on Schedule C returns, which identify any substantial payment received by an individual as an independent agent. Many of these proprietorships are not intended to be durable business organizations, instead involving receipts from consulting fees, contract work, and the like. By contrast, surveys of entrepreneurs specifically ask whether individuals are trying to start businesses.

A related problem concerns the unit of analysis employed in administrative data. Statistics for IRS returns, for instance, are commonly enumerated at the level of establishments. However, estimates of the extent of group involvement on the part of individual entrepreneurs require that such data be weighted by the number of owners in each startup business. As a result, survey methods lead to different estimates of the distribution of business owners than do tax returns. Whereas the IRS data suggest that fewer than 30 percent of businesses in the United States involve more than one owner, 2005–2006 data from the *Panel Study of Entrepreneurial Dynamics* (PSED II) estimate that nearly 50 percent of entrepreneurs share ownership with others in their businesses. Moreover, that estimate increases to over 54 percent when attention is restricted to businesses that have filed tax returns.⁸

Administrative data also miss a more subtle feature of the social scope of new enterprises: the variety of non-owners and non-employees who become involved in these business startups. Even at the earliest stage of startup development (i.e., before there was a stream of positive cash flow), over a third of U.S. entrepreneurs in 2006 relied on regular contributions—including material investment, guidance, and other support—from non-owner helpers. By comparison, only 8 percent had hired full- or part-time employees. Combining the statistics on co-owners, helpers, and employees, we find that merely 16 percent of U.S. entrepreneurs can be identified as

the true solos that are privileged by classical accounts of entrepreneurial activity.⁹

A second factor contributing to the common emphasis on solo entrepreneurs is the tendency to emphasize results rather than intentions. Many entrepreneurs end up going it alone, but the reasons for this outcome can be complex. Some entrepreneurs are relatively isolated and suffer from limited social networks. Others face exclusion due to their gender, ethnicity, age, or national origin. Yet another faction of entrepreneurs finds that they cannot locate suitable partners for their enterprise, owing to constraints of geography or industry expertise. In all of these cases, the resulting outcome may be solo entrepreneurship, but it is important not to equate this outcome with the intentions or preferences of the entrepreneur.

An emphasis on entrepreneurial groups is sensitive to the opportunities, constraints, and intentions that may ultimately produce either solo ventures or entrepreneurial teams. Stated another way, the “group” is not just considered as an observed outcome that obtains for a subset of startup efforts, but as a possibility that is entertained by many entrepreneurs. While a very small proportion of entrepreneurs are able to hire employees at the earliest stages of startup development, PSED data suggest that roughly five times that number (42%) believe that they *will be* adding employees or managers in the near future. Considering long-term expectations, a substantial 76 percent of entrepreneurs in 2006 responded that they would be hiring employees or managers over a five-year time horizon. With hindsight, we know that many of these expectations are likely to be frustrated. This does not minimize the fact, however, that relatively few startup founders expect to carry on entrepreneurial activity by themselves.

The theoretical importance of intentionality in group formation can be analyzed further by plotting the long-term expectations which entrepreneurs express concerning their desire to add more participants to a startup effort. A basic typology of groups distinguishes between *open groups*, that is, collectivities in which existing members display a strong and durable propensity to recruit further members (including managers and employees), *constrained groups*, in which the propensity to recruit further members declines rapidly with group size (especially as the group is perceived to be “full”), and *closed groups*, in which the group is restricted to a constant set of members. As shown in figure 1.1, entrepreneurial partnerships are generally formed as open groups. The empirical pattern of intentions suggests some variation with group size, as a critical mass of participants in a group (roughly, 6–8) generates the strongest expectations regarding the addition of new members. Still, the probability that entrepreneurs wish to add other managers or employees generally hovers in the range between 0.7 and 0.85. There is little evidence that entrepre-

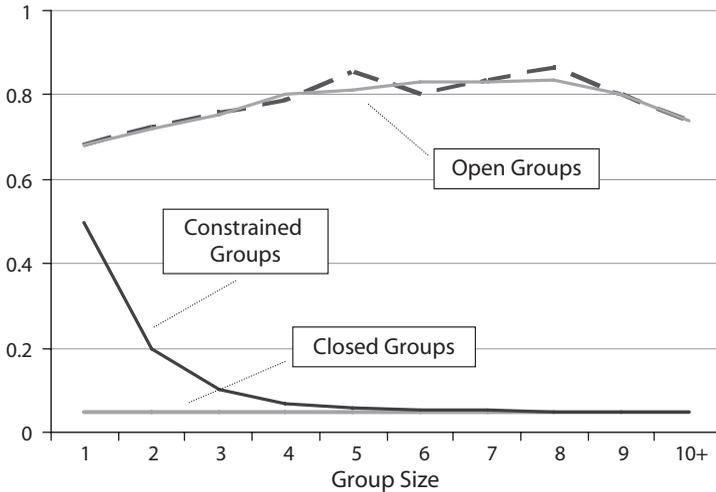


Figure 1.1. Proportion of Entrepreneurs Who Intend to Add More Participants by Group Size. *Note:* Figures for “open groups” are empirical estimates drawn from the PSED II. Raw data are represented by dashed line; smoothed data by solid line. Figures for “constrained” and “closed groups” are hypothetical.

neurs close ranks with increases in group size (as suggested by the hypothetical pattern for constrained groups) or that they close ranks apart from group size (hypothetical pattern for closed groups). Considering the size of entrepreneurial groups in combination with intentions, only 5 percent of entrepreneurs in the United States work alone *and* have no expectations of adding other startup participants.¹⁰

A third reason for the mythology of solo entrepreneurship concerns the accounts developed by the mass media and entrepreneurs themselves. The acquisition of resources and legitimacy in new enterprises hinges to a considerable extent on the narratives that entrepreneurs are able to project (Lounsbury and Glynn 2001). Entrepreneurial storytelling that focuses on a single individual simplifies the attribution of precedence (who was the first to originate an idea), leadership (who guides a startup on a daily basis), identity (whose personality is reflected in the culture of a startup), and succession (whose departure may endanger the startup’s operations or culture). Like Ayn Rand’s iconic character, John Galt, in *Atlas Shrugged* (2005), these narratives tend to dwell on modern-day cowboys who transform the economic landscape against all odds. In America, Europe, and Japan, the motif of solo entrepreneurship also echoes a long-standing value placed on self-reliance and self-direction in middle-class culture (Pearlin and Kohn 1966; Kohn et al. 1990).

This trope is evident in the two narratives that began this chapter, each of which focused on a single male protagonist. A deeper examination of these cases reveals that the social context of entrepreneurship is far richer than it might at first appear. For instance, Bob Moog is often named as an inventor in media accounts, a well-deserved credit that extends back to his work on a murder mystery game, which led to the founding of University Games. But Moog originally developed the game with the assistance of Patricia Stewart and Edna Maples, two child psychologists in Denver, who had been writing and selling mystery games through a “basement operation” (Miller 1985). Inspiration for the game can also be traced to Mystery Weekends, a business co-founded by former travel agents Gladys Germann and Kathi Platt, where Moog and his business partner Cris Lehman attended an early adventure get-away (Halstead 1985). And so forth. Rather than engage in infinite regress, narratives about entrepreneurs typically truncate such complex patterns of social influence and focus instead on the biographies of individuals.

There is some evidence, finally, that contemporary academic accounts have also adopted the popular, individualist image of entrepreneurship, even if only tacitly. Sociological studies of career values distinguish between “entrepreneurial” and “bureaucratic” job orientations, where the former is associated with a preference for autonomy, self-sufficiency, and risk, while the latter is based on a preference for job security and stable relationships with employers and co-workers (Miller and Swanson 1958; Hout 1984; Halaby 2003). Clearly, the issue as to *whether* entrepreneurs and non-entrepreneurs hold such value orientations is a useful empirical question. But researchers have more often been inclined to *attribute* these values to entrepreneurs, without recourse to empirical investigation. If academic accounts automatically place entrepreneurs in a conceptual category of rugged individualists, by virtue of definition alone, they tend to reflect or reinforce popular stereotypes.

In economic sociology, perhaps the most influential statement offered against an individualist conception of economic actors was Mark Granovetter’s (1985) manifesto on the “Problem of Embeddedness.” At the time, Granovetter suggested that neoclassical economists typically employed an undersocialized perspective on economic actors, viewing their behavior as both utilitarian and acontextual (i.e., unaffected by social relations). This critique remains relevant for contemporary economic treatments of entrepreneurs, which overwhelmingly describe entrepreneurial entry and persistence as an individual decision that is influenced largely by capital liquidity constraints (e.g., Evans and Jovanovic 1989; Holtz-Eakin et al. 1994; Blanchflower and Oswald 1998). Granovetter likewise criticized many sociological views of economic actors as oversocialized, with behavior dictated by internalized norms and the opinions

of others. This perspective also retains a considerable amount of intellectual currency in entrepreneurship research, as documented in studies of parental socialization and occupational inheritance (see studies above and review in Aldrich and Kim 2007a).

Ironically, oversocialized views of entrepreneurs may lead to the same individualistic conception as undersocialized views (Granovetter 1985: 485). In particular, if entrepreneurial values are largely transmitted in childhood and adolescence, there seems to be little incentive for social scientists to study the ongoing social relationships in which entrepreneurs become embedded. Even if some entrepreneurs happen to attach themselves to others in entrepreneurial groups, these social relations are peripheral compared to the norms that entrepreneurs have internalized and, thus, irrelevant to various startup dynamics: for example, who is brought into the startup, how rewards and roles are assigned, how much effort is put forth, or how much autonomy and creativity are displayed within the group. By contrast, the theory espoused in this book is that ongoing social relations are critical to an understanding of entrepreneurial activity and yield new insights compared to the under- or oversocialized conceptions that have often dominated economics and sociology.¹¹

Plan for the Book

All four foundations of the “solo entrepreneurship” perspective represent considerable obstacles to an emphasis on entrepreneurial groups and will receive extensive treatment in this book. To confront the myth of the solo entrepreneur, I rely largely on empirical evidence from the contemporary United States, a choice guided by the high-quality data on entrepreneurship that first became available in the late 1990s. This choice offers benefits in terms of sample representativeness, comprehensiveness of measures, and policy relevance (see appendix A). In the concluding chapter, I address whether and how my findings may generalize to other countries and historical settings, when viewed in comparative perspective.

Following evolutionary approaches to organizational analysis (e.g., Aldrich and Ruef 2006), the book employs a process-based conception of how entrepreneurial groups emerge and operate. This conception shares some broad similarities with other process-based models, which tend to highlight events in the creation of nascent organizations (such as legal establishment, operational startup, resource acquisition, and the like) (Katz and Gartner 1988; Ruef 2005), but its distinctiveness arises from a specific focus on group processes (see figure 1.2). Like all models, the process-based conception offers a simplified representation of reality for analytical purposes. Consequently, no assumption is made that stages in

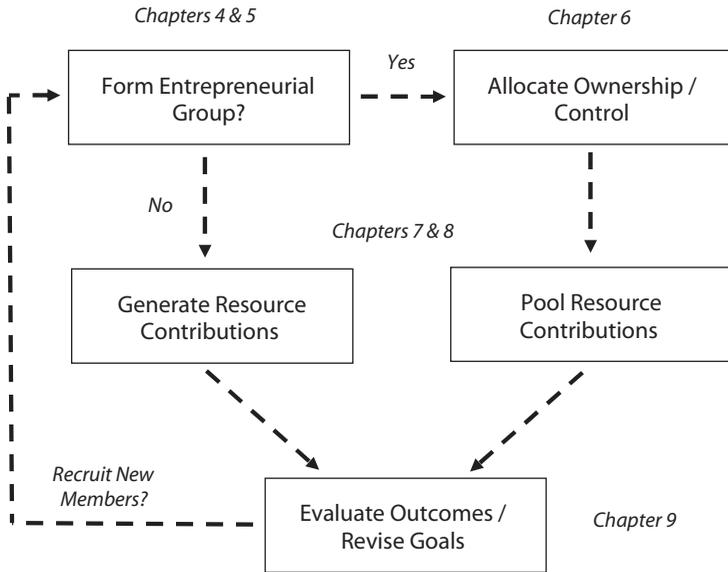


Figure 1.2. A Process-Based Conception of Entrepreneurial Groups

the process of group evolution necessarily follow one another in temporal order.

In the next two chapters, I introduce a theoretical framework for understanding the structure and dynamics of entrepreneurial groups. Termed “relational demography,” the framework draws on a pair of social science frameworks—a demographic perspective, which addresses how the composition of social groups is influenced by the structure of categorical identities in the population as a whole, and a network perspective, which addresses how economic activity is affected by interpersonal ties. Chapter 2 contrasts the assumptions of relational demography with other perspectives on entrepreneurial groups in business management and the social sciences. In chapter 3, I consider some basic empirical properties of entrepreneurship and suggest how relational demography can help shed light on them. Two puzzles are analyzed in some depth, including the highly skewed size distribution of startup enterprises and the curvilinear pattern of age dependence in rates of entrepreneurial entry.

Chapters 4 and 5 address the initial stage of entrepreneurial group formation, in which entrepreneurs face a decision as to whether they should recruit others to join their nascent venture and how to involve those participants. Chapter 4 considers this process from the standpoint of the population of entrepreneurs as a whole. It analyzes how demographic, network, and ecological mechanisms affect group composition.

In chapter 5, attention shifts to the networks of specific entrepreneurs and where they draw the boundaries of their nascent ventures. What factors distinguish business founders from their employees? What factors distinguish them from external partners, advisors, and stakeholders?

For those entrepreneurs who do form a group, the next question that must often be answered is how to align incentives and social roles. In chapter 6, I consider how founding team members weigh their potential contributions against benefits. What norms dictate the terms of “fair exchange” in the allocation of ownership shares and control of the startup firm? When is the allocation of ownership shares among co-founders unequal? To what extent do entrepreneurial control and ownership shares represent substitutable commodities?

The day-to-day life of a startup is also dominated by more mundane concerns. To ensure the survival of these nascent organizations, entrepreneurs must generate contributions based on their available resources. Chapter 7 analyzes the concrete contributions that group members make, in terms of time, skills, and ongoing material investments. It considers how these contributions vary between solo and group enterprises, as well as when over- or under-commitment may challenge the terms of fair exchange in the group context. In chapter 8, I address a more elusive contribution, the production of creative ideas in entrepreneurial organizations. Using both subjective and behavioral indicators, the chapter describes what group structures are most likely to lead to organizational innovation.

In the final empirical chapter of the book, I turn to the measures of success, both pecuniary and nonpecuniary, that entrepreneurs apply to evaluate their ventures. To what extent are these metrics correlated with the relational demography of an entrepreneurial group? How do the personal goals of entrepreneurs and the structure of their interactions combine to produce change within a group? These issues connect organizational outcomes back to the first stage of the process model, the (re)structuring of the entrepreneurial group.

Conclusion

An entrepreneurial group can be described as the set of actors—either individual or organizational—who actively support the creation of a new organization. Given this conception, “entrepreneurs” are defined on a continuum in terms of their commitment to such groups, possibly including owner-managers, investors, employees, unpaid family members, and other helpers. Entrepreneurship is seldom a solitary activity. Among individuals trying to start their own business in the United States, some 84

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percent report the involvement of other startup participants. Entrepreneurial groups also enjoy a global presence, as exhibited by such widespread organizational forms as micro-credit borrowing groups, rotating credit associations, and business groups in emerging markets. Still, much of our popular discourse touts an image of the entrepreneur as a rugged and heroic individual. And much of the academic work on the topic is better suited to analyzing individuals or firms than entrepreneurial groups.

Compared to individual entrepreneurs, the analysis of entrepreneurial groups introduces new empirical challenges. The observation of any entrepreneurial group is always conditioned on a set of counterfactuals—what other groups *could* have been formed, given the intentions of the entrepreneurs and the structural opportunities and constraints that they face? Serious consideration of these counterfactuals is required to avoid the selection biases that often plague organizational scholarship, in which entrepreneurs or organizations are selected based only on successful outcomes (Aldrich and Ruef 2006: chapter 2). Because group formation itself can be counted as an early success for many business ventures, the analysis of entrepreneurial groups supplements, rather than replaces, the analysis of solo entrepreneurs. These issues are fleshed out in the next chapter, where I discuss different perspectives on entrepreneurial groups, the group dynamics that they choose to emphasize, and the types of entrepreneurial ventures that they study and use to inform their conclusions.