Preface

Many people are attracted to entrepreneurship. Some relish the idea of instant wealth, others see promising business opportunities, being their own boss appeals to many, and some find that satisfying work for others is difficult to locate—or tolerate. Whatever their motives, the numbers involved are substantial: at any given time tens of millions in North America and Europe are trying to start new firms—world-wide there are over a quarter of a billion.

Responding to this interest, a wide variety of programs, books, websites, seminars, weekend workshops, college courses, reality television and the like have emerged to facilitate business creation. Many are based on personal experience or knowledge of specific industries or the latest internet based technology. All strongly encourage others to pursue business creation; none offers to share the risks. This is consistent with the emphasis of policy makers. National, regional, and local politicians expect more entrepreneurship to increase economic growth; they rarely acknowledge the social costs.

Despite this great surge of attention there has been a lack of precision about the nature of the start-up process, which may mislead nascent entrepreneurs. While there is a substantial literature on various features of business creation, most are based on samples of convenience, cross sectional analysis, or administrative data sets that have limited information about the activities involved in business creation.

The Panel Study of Entrepreneurial Dynamics (PSED) projects have done much to fill this void. These efforts begin with a representative sample of the adult population and identify those active in business creation. This cohort then completes detailed interviews over a number of years, allowing tracking of the outcome of their efforts. The result is a description of the activities and events that occur during the start-up process for both initiatives that become profitable as well as those that are discontinued. It facilitates identifying major features of the entrepreneurial process associated with a successful outcome.

Based on the data from two U.S. PSED cohorts, this volume describes the major features of firm creation. This review of a complex, multifaceted phenomenon is organized around ten "statements of fact." The focus is on empirical support for the relationships between major features of the business creation process and the outcomes, emphasizing ventures that reach profitability. These have implications for both those pursuing entrepreneurship as well as those developing public policies to facilitate business creation.

The initial objective was to provide an overview of the major features of business creation, using the U.S. PSED I and II data sets with the appropriate case weights. The first version was completed in August 2017, using case weights adjusted for biases in sampling and the start-up team size. Soon after an assessment by Shim and Davidsson (2018) provided a strategy for additional weight adjustments that would compensate for the considerable variation among nascent ventures in the time spent in the start-up process. This compensates for the identification of the ventures at an arbitrary point in the start-up process.

Preliminary assessments using these "triple adjusted" case weights (discussed in the Appendix) made clear that this dramatically affected most descriptions of business creation, particularly the proportions with different outcomes. The proportion of profitable businesses was increased from one-fourth to over one-third, offset by a reduction of those "still active." As a consequence, production of the book was placed on hold and the entire analysis was revised during the winter of 2018. This may be the first comprehensive description of business creation using these more appropriate nascent venture case weights.

The impact of these revised case weights cannot be overstated. While virtually every description related to nascent ventures' outcomes has been affected by the revised weights, the impact was substantial in presenting the structure of the start-up teams (Chapter 5), the amount of informal and formal funding (Chapters 9 and 10), and the time required to reach an outcome (Chapter 11). This makes clear that any analysis of representative samples of start-up nascent ventures that is not adjusted to compensate for duration in the business creation process may be very misleading.

If this overview reduces the personal and social cost associated with gaining the benefits of business creation, it will have been a success.

Paul D. Reynolds
Steamboat Springs, Colorado
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