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Principal Topic *

Entrepreneurs are often associated with agents of economic change (Schumpeter, 1934). They introduce new products or services into a market or build there business around process innovation in order to achieve cost advantages. By doing so entrepreneurs combine different resources similar to physical capital, people and ideas (Baker et al., 2003). In order to put together those various resources, one might argue that the entrepreneur must be sufficiently skilled in a number of areas. The notion of entrepreneurs being jack-of-all-trades is at the heart of Lazaar's (2005) theory. Considering the case of the founder of a software company, it is not necessary that the entrepreneur is the best programmer, but he might need some knowledge in programming to supervise the output of his employees. To sell the software some experience in marketing and sales would be also appropriated. To overcome resource constraints he must be able to raise funds and hire qualified personal for the new venture. One might argue that all of the above mentioned entrepreneurial tasks are critical for founding and running a company. However, we can expect that those individuals with more balanced skills should be the more successful entrepreneurs than their less skilled counterparts.

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Methodology / Key propositions *

This paper examines the effects and origins of balanced skills among nascent entrepreneurs. First we extend Lazaar's jack-of-all-trades theory to formally model performance effects of balanced skills. Second we examine potential sources of balanced skills. There are two competing explanatory models explaining variation in the skill set of individuals. On the one hand, the investment hypothesis states that individuals intentionally invest in a balanced skill set by engaging in different industries and working in diverse jobs to acquire skills for starting up a business (Lazaar, 2005). On the other hand, the endowment hypothesis questions the intentionality of skill acquisition among entrepreneurs. Instead, scholars posit that some individuals are innately endowed with a high level of multiple skills enabling them to have many roles in the labour market – including entrepreneurship (Silva, 2007). The data for our analysis is provided by the Thuringian Founder Study (Thüringer Gründer Studie) This is an interdisciplinary research project that looks at the success and failure of innovative new ventures in the German federal state of Thuringia. One part of this study represents a sample of 100 high-potential nascent projects. Consequently, this sample will combine several waves into a longitudinal data set allowing causal analysis. However, since the second wave interviews are not complete yet we analyse the first wave of data, which are cross-sectional per definition. As indicator for balanced skills we use the number of functional areas (such as management, research and development, and marketing) in which the nascent entrepreneur had work experience prior to the first gestation activities. Similar measures have been successfully used in previous research studying the jack-of-all-trades hypothesis (e.g. Lazaar, 2005).

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Results and Implications *

By employing linear regressions we find support for the hypothesis that balanced skills are an important factor for progressing in the venture creation process as indicated by the number of gestation activities initiated. In regards to the origins of a balanced skill set, we discover work and schooling experience foster the acquisition of various experiences which supports the investment hypothesis. For example managerial and start-up experience, work experiences in young and small firms as well as varied university curricula are associated with a balanced skill set of nascent entrepreneurs. However, there is also empirical evidence for the endowment hypothesis suggesting that a balanced skill set is deeply rooted in the personal development of the nascent entrepreneurs. The central framework in developmental psychology is that past interests and actions are reflected in future choices (Holland & Nichols, 1964). Applying this framework we identify that nascent entrepreneurs who had more varied early interests in adolescent also enjoyed a more balanced skill set prior to the start-up. We believe that this paper makes two important contributions to entrepreneurship research. First, it theoretically and formally models performance effects of balanced skills, and thus extends Lazaar's (2005) original model. Second, our research contributes to human capital theory by investigating the origins of entrepreneurial skills.

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