

## 2. New business early performance: differences between firms started by novice, serial and portfolio entrepreneurs

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### INTRODUCTION

There has been a growing research interest in the field of habitual entrepreneurs, that is, entrepreneurs that start more than one business during their career. Multiple business founders are interesting since they are often expected to be competent entrepreneurs. MacMillan (1986) argued that habitual entrepreneurs develop an experience curve of entrepreneurship. They learn from their former experiences, have the opportunity to analyse what went wrong and what went right, and to develop a 'methodology' for entrepreneurship. If such an experience curve exists, the experiences from former businesses give habitual entrepreneurs advantages over inexperienced novice entrepreneurs when it comes to new business start-ups. Research interest has been fuelled by the expectation that firms started by experienced entrepreneurs will have superior or enhanced performance. While this suggestion is intuitively appealing, to date there is little empirical support for such a relationship. One explanation may be that previous studies have not controlled for potential differences in business ideas. Ucbasaran et al. (2003) found that habitual entrepreneurs identified opportunities with higher levels of innovativeness than novices. Experienced entrepreneurs may have more complex business ideas which require a longer introduction period with low returns. Another reason may be that many previous studies have failed to acknowledge the heterogeneity among habitual entrepreneurs. The important difference between serial and portfolio founders is that the latter group still own and manage their original business and are able to draw upon resources in the existing firm when starting a new business. Portfolio entrepreneurs may use their original firm as

a seedbed for subsequent new ventures (Carter, 1998). In a previous study, Alsos and Kolvereid (1998) found that portfolio nascent entrepreneurs were more often successful in founding a new business than both novice and serial nascent entrepreneurs, indicating that the value of still owning and running an existing business is larger than past experience from prior ventures. An existing business may be a better source of fresh experience and relevant know-how than earlier businesses.

The literature on habitual entrepreneurship has speculated about, but has hitherto found little empirical evidence of, experienced business founders performing better than their inexperienced counterparts. There is a need to investigate what constitutes the potential advantages of experienced entrepreneurs. If there is 'an experience curve of entrepreneurship', what do habitual entrepreneurs learn from their experience that give them advantages when starting the entrepreneurial process over again? To be a novice is a temporary condition, as novice entrepreneurs will become experienced after learning from their first start-up. Performance differences between novice and habitual entrepreneurs are, however, likely to be found in the early stages of business development.

Entrepreneurship is about identifying and exploiting opportunities and organizing resources (Landström and Johannisson, 2001; Stevenson and Jarillo, 1990). We suggest that experienced entrepreneurs may have acquired knowledge and resources from their former business, and that this gives them better access to both new opportunities and resources. Since access to opportunities and resources is central to the possibility of success of a new business, this is expected to lead to higher performance of new businesses started by experienced entrepreneurs. Particularly, serial and portfolio entrepreneurs may be able to 'grow' their new businesses more rapidly from the start because of their presumed better access to resources. The following research questions are explored:

1. Do novice, serial and portfolio entrepreneurs differ when it comes to their ability to identify opportunities and acquire resources when starting a new business?
2. Do such differences lead to different performance in new businesses started by novice, serial and portfolio entrepreneurs?

Based on longitudinal data of a representative sample of new business formations, the present research will explore the differences between novice, serial and portfolio entrepreneurs in the process of starting a new business. Portfolio entrepreneurs are defined using multiple ownership and management as criteria: these are persons who own and manage more than one business. Serial entrepreneurs are entrepreneurs who have owner-management experience from more than one business, but

only one at a time, and novice entrepreneurs are entrepreneurs with no prior owner-management experience (Rosa and Scott, 1999; Westhead and Wright, 1998b).

## LITERATURE REVIEW

It can be argued that resources are especially critical for new and small businesses due to the shortage of these and the difficulties connected to raising financial capital and sourcing skilled employees as well as other assets (Brush and Chaganti, 1997; Cooper and Dunkleberg, 1986). Aldrich and Fiol (1994) pointed at the 'liabilities of newness and smallness' when it comes to the acquisition of resources. The acquisition of resources is a central element in starting a new business; some even claim it is the most central one (Aldrich, 1999; Landström and Johannisson, 2001). The entrepreneur's ability to collect the necessary resources and combine these into a new business may be vital for whether the new firm will come into existence, and what degree of success it will subsequently attain.

Serial and portfolio entrepreneurs may have accumulated resources through their former businesses that might be drawn upon in the process of starting a new business (Scott and Rosa, 1996). These resources may include knowledge resources that accrue from experiential learning, networks and contacts, and financial capital. In addition, portfolio entrepreneurs possess resources through their existing business that might be used in the start-up of the new business, such as organizational routines, employees, suppliers and customers, as well as physical resources such as buildings and equipment. In these cases the existing business can work as a 'seed-bed' for the new business in its infancy (Carter, 1998). In their study of portfolio entrepreneurs in the farm sector, Alsos and Carter (2003) found an extensive transfer of resources from the existing to the new business. Further, the extent of such resource transfer was associated with the performance of the new business. Moreover, Westhead et al. (2003) found that portfolio entrepreneurs have more diverse experiences and more resources than both serial and novice entrepreneurs, and argue that portfolio entrepreneurs constitute a particularly interesting type of entrepreneurs.

Experience may bring a wide range of contacts, which might be useful in new business start-ups. Through a well-developed network, entrepreneurs may gain access to resources they would otherwise have difficulties obtaining. Such resources may include financial capital or physical resources, or information and knowledge valuable both for identification of opportunities and for founding and developing a new business. Experienced entrepreneurs with a well-developed social network may be better able to

establish good start-up teams for developing new business opportunities. Previous studies have found that experienced entrepreneurs, and in particular portfolio entrepreneurs, are more likely to start a new business with partners (Birley and Westhead, 1993; Westhead and Wright, 1998b). As a lead entrepreneur, the experienced entrepreneur may bring together a group of entrepreneurs for opportunity exploitation, relying on the track record of the lead entrepreneur. Further, experienced entrepreneurs may also be invited to be part of start-up teams of other lead entrepreneurs.

Westhead and Wright (1998a) argue that the experience of the entrepreneur can have a considerable influence on the ways the new business is financed, and that successful habitual entrepreneurs can have a greater access to funds than novice entrepreneurs. For instance, successful habitual entrepreneurs may have more financial resources available to invest in equity capital than novices do. In their study of independent business owners in Great Britain, Westhead and Wright (1998b) found that serial entrepreneurs were more likely to use finance from personal sources (perhaps because they have large financial assets after the sale of the previous business), and that portfolio founders were more likely to obtain finance from customers and suppliers (perhaps because they have ties to them through their existing business). Moreover, experience from previous or current business ownership may have developed their network when it comes to investors, banks and other sources of finance. Finally, a track record as a successful entrepreneur may attract more investors to new business projects.

Several authors have argued that habitual entrepreneurs are particularly good at recognizing and developing opportunities (MacMillan, 1986; McGrath, 1996; McGrath and MacMillan, 2000). Founding and running a business may give access to information and knowledge which becomes the basis of new business ideas. Ronstadt (1988, p. 31) introduced 'the corridor principle' and suggested that 'the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture'. McGrath (1996) argued that entrepreneurs with access to a large and well-functioning network, for instance through an existing business, will probably have access to a large number of good 'shadow options', that is, latent business ideas. Also Singh et al. (1999) stated that a large social network, with many weak ties going beyond close friends and family, relates positively to idea identification and opportunity recognition. Further, McGrath (1996) advocated that experienced entrepreneurs often have a larger ability to recognize and take advantage of latent business ideas, since experience increases their sense-making ability.

Ucbasaran et al. (2003) investigated information search and opportunity identification among novice and habitual entrepreneurs. They found that

while there were no differences in the intensity of information search and number of sources used, habitual entrepreneurs identified more opportunities given a certain amount of information. They also found that habitual entrepreneurs had different attitudes to opportunity identification than their less experienced counterparts. Habitual entrepreneurs put more focus on problem-solving activities as a source of opportunities, they enjoyed opportunity identification more and they assessed that one opportunity often led to another. The latter is in congruence with Ronstadt's (1988) concept of 'the corridor principle'.

Based on this review of the literature the following hypotheses were developed:

*Hypothesis 1: Serial and portfolio entrepreneurs are better than novices in acquiring resources to the new business.*

*Hypothesis 2: The resources acquired are significantly related to subsequent early business performance.*

## METHOD

Data for this study was gathered from new business founders drawn from the Norwegian central coordinating register for legal entities. This register coordinates information that exists in other government registers, including: (1) the register of employers; (2) the register of business enterprises; and (3) the Value Added Tax register. Hence, the central coordinating register contains all businesses that have employees, all limited liability companies and partnerships, and all sole proprietorships obliged to pay VAT.<sup>1</sup> Businesses that register are assigned a unique organization number that identifies the business. The four most common legal forms of new businesses in the register are sole proprietorships, partnerships with mutual responsibility, partnerships with shared responsibility and unlisted limited liability companies. Since a total of 98.6 per cent of Norwegian new registrations in 2002 chose one of these four legal forms (Statistics Norway, 2004), other less common legal forms were disregarded. All new businesses that registered with the central coordinating register during weeks 21–24 2002 were approached. In other words, the whole population of new business registrations during these four weeks constituted the sampling frame. With only one week's delay, the register delivered lists of new businesses that were registered each of these weeks. Within a week after the register supplied these lists, a questionnaire was mailed out in four rounds to 603 businesses registered in week 21, 866 businesses registered in week 22, 747 businesses

registered in week 23, and 905 businesses registered in week 24. A reminder with a new copy of the questionnaire was sent out in four rounds three weeks after the initial mailings. A total of 3121 businesses were approached. Of the questionnaires posted, 126 were returned unreachable, while we received 1048 completed questionnaires – a response rate of 35 per cent.

The second round of data collection took place during weeks 5–8 in 2004 (that is, about 19 months after the initial mailing). A professional survey agency was engaged to telephone the respondents to the mail survey in order to find out what had happened to the businesses since the first round of data collection. Among the 1048 businesses that responded to the mail survey, 29 businesses were excluded since they had been deregistered from the central coordination register. Another six businesses were excluded because they had more than 50 per cent missing data on the first round of data collection. Finally, 33 respondents were excluded since the business or the contact person was not listed in any of the available telephone directories. The survey agency attempted to reach all the remaining 980 respondents. Among these, 275 persons were inaccessible and 54 others refused to participate. A total of 3924 telephone calls were made in order to collect follow-up data from a total of 651 of the business founders, 66 per cent of the 980 founders on the list. A total of 104 questionnaires not completed by the founder and owner-manager were removed. Only respondents who submitted complete data sets are included in the present analysis, leaving 410 cases for the analysis of total employment and 354 cases for the analysis of sales turnover in the business. Thorough response bias tests did not reveal any significant differences between respondents and non-respondents. Moreover, the final sample did not differ significantly from the entire cohort of businesses started in Norway in 2002 with regard to legal status or localization. Hence, there is good reason to believe that the sample is representative for the population of new business start-ups in Norway.

## **Measures**

### **Dependent variables: new business performance**

Turnover in 2003 (the first full year in business) and hired employment (other than the respondent) at period two (19 months after registration) were selected to measure of performance. Both variables were highly skewed. Therefore, they were both transformed by taking the logarithm of the responses after adding a constant of 10 000 for turnover and 0.1 for employment.

### **Types of entrepreneurs**

Novice, serial and portfolio entrepreneurs were defined using two questions: whether the respondent at present owned and managed another

business in addition to the newly registered business, and whether the respondent had previously owned and managed another business. Respondents who answered 'no' to both these questions were categorized as novice entrepreneurs. Respondents who answered 'no' to the first question and 'yes' to the second one were categorized as serial entrepreneurs, while respondents who answered 'yes' to the first question were categorized as portfolio entrepreneurs. In the final sample of 410 respondents, 68.5 per cent were novices, 13.7 per cent were serial and 17.8 per cent were portfolio entrepreneurs.

#### **Control variables: new business characteristics**

Novelty was included as a control variable since Ucbasaran et al. (2003) found experienced entrepreneurs to have more innovative business ideas. Novelty was measured by an additive scale including three items. Respondents were asked to indicate on a seven-point scale whether they agreed or disagreed with the following statements: 'Customers will experience our product or service as new and unknown', 'Few or no competing businesses offers a similar product or service', and 'The technology or production of our product/service is not easily accessible'. The three items load on the same factor in a principal component analysis representing a cumulative variance of 62 per cent and a Cronbach's alpha of 0.70. This measure is adopted from the one used by the *Global Entrepreneurship Monitor* (Reynolds et al., 2002).

Entry mode was also included as a control variable since experienced entrepreneurs may be more involved in acquisitions than novices. The variable '*de novo*' was included, giving the value 1 to the *de novo* entries (businesses started from scratch) and 0 to acquisitive entries (businesses acquired or inherited).

#### **Resources**

Start-up team, opportunities, and amount of financial capital raised were used to measure acquired resources. Respondents were asked to state whether they alone were responsible for the founding of the business (value 0), or whether they started it with other partners (value 1), to measure the existence of a start-up team. The access to opportunities was measured by the number of opportunities the respondent had identified in the last five years (not including the new business). The measure of financial capital was calculated by adding the total debt and deposited equity of the newly registered business. The variable was grouped in seven categories as follows: no financial capital (1), 1 to 10 000 NOK (2), 10 001 to 50 000 (3), 50 001 to 100 000 NOK (4), 100 001 to 200 000 NOK (5), 200 001 to 1 000 000 NOK (6), and more than 1 000 000 NOK (7).

## RESULTS

Prior to the formal testing of the hypotheses, descriptive statistics and correlations were run. The results are shown in Table 2.1. Table 2.1 gives preliminary support to both hypotheses, and shows that multicollinearity is not a problem. Hypothesis 1 was tested using ANOVA. The results are presented in Table 2.2.

Novice entrepreneurs are found to be significantly less likely to have organized a team of entrepreneurs to start the business, than are serial and portfolio entrepreneurs. Only 19 per cent of the businesses started by novice entrepreneurs are team start-ups, compared to 34 per cent and 41 per cent of the businesses started by serial and portfolio entrepreneurs respectively. Further, novices are found to identify significantly less opportunities than serial and portfolio entrepreneurs. Portfolio entrepreneurs are also found to identify significantly more business opportunities than serial entrepreneurs. The mean number of business opportunities identified is 0.88 for novice entrepreneurs, 1.5 for serial entrepreneurs and 2 for portfolio entrepreneurs. Serial and portfolio entrepreneurs were also able to raise significantly more capital for investment in the new business than novice entrepreneurs. Further, independent sample t-tests were conducted to explore differences in means between novices and habitual entrepreneurs. The results show significant differences between the types of entrepreneurs ( $p < 0.01$ ) for all three resource types, and thus support the results from the ANOVA analysis. In total, these results indicate that serial and portfolio entrepreneurs are able to get access to more resources and opportunities than novice entrepreneurs. These findings support hypothesis 1.

The next question is whether these opportunities and resources lead to better performance of the new businesses. Performance is measured by the achieved sales turnover of the new business as well as employment of others. To test whether the different types of founders were associated with different levels of performance, multivariate regression analysis was used.

Table 2.3 shows results from a hierarchical linear regression analysis with sales turnover as the dependent variable. Model 1 shows the effect of the control variables. The model is highly significant giving an adjusted R square of 0.13. As expected both control variables are significant with a negative beta-value in the model, indicating that more novel business ideas and *de novo* entries have reached significantly less sales in the first whole year in business than less novel and acquisitive entries. In model 2, serial and portfolio entrepreneurship are included. Both variables have significant and positive impact in the model, indicating that both serial and portfolio



Table 2.1 Descriptive statistics: mean, standard deviation, correlations and VIF-values

|                          | Mean  | Standard deviation | 1        | 2        | 3       | 4        | 5        | 6       | 7       | 8       | 9       | 10   | VIF values |
|--------------------------|-------|--------------------|----------|----------|---------|----------|----------|---------|---------|---------|---------|------|------------|
| 1 Novice entrepreneur    | 0.69  | 0.46               | 1.00     |          |         |          |          |         |         |         |         |      | 1.086      |
| 2 Serial entrepreneur    | 0.14  | 0.35               | -0.587** | 1.00     |         |          |          |         |         |         |         |      | 1.153      |
| 3 Portfolio entrepreneur | 0.18  | 0.38               | -0.687** | -0.185** | 1.00    |          |          |         |         |         |         |      | 1.043      |
| 4 Novelty                | 2.91  | 1.63               | -0.053   | -0.014   | 0.078   | 1.00     |          |         |         |         |         |      | 1.138      |
| 5 <i>De novo</i>         | 0.88  | 0.33               | 0.036    | -0.069   | 0.018   | 0.161**  | 1.00     |         |         |         |         |      | 1.141      |
| 6 Start-up team          | 0.25  | 0.44               | -0.201** | 0.081    | 0.171** | 0.012    | -0.145** | 1.00    |         |         |         |      | 1.100      |
| 7 Opportunities          | 1.17  | 1.70               | -0.248** | 0.079    | 0.230** | 0.044    | -0.017   | 0.140** | 1.00    |         |         |      | 1.268      |
| 8 Financial capital      | 3.67  | 1.99               | -0.219** | 0.152**  | 0.129** | -0.112*  | -0.313** | 0.306** | 0.179** | 1.00    |         |      |            |
| 9 Turnover (log)         | 12.38 | 1.91               | -0.166** | 0.138**  | 0.078   | -0.283** | -0.277** | 0.237** | 0.116*  | 0.469** | 1.00    |      |            |
| 10 Employees (log)       | -1.59 | 1.30               | -0.126*  | 0.096†   | 0.067   | -0.148** | -0.187** | 0.256** | 0.171** | 0.390** | 0.575** | 1.00 |            |

Notes:

n = 410 (except for turnover, where n = 354).

Statistic significance: † indicates  $p < 0.10$ , \* indicates  $p < 0.05$  and \*\* indicates  $p < 0.01$ .

††

Table 2.2 Differences between novice, serial and portfolio entrepreneurs in access to resources (means and F-value)

|                   | Novice entrepreneurs | Serial entrepreneurs | Portfolio entrepreneurs | F-value     |
|-------------------|----------------------|----------------------|-------------------------|-------------|
| Start-up team     | 0.19                 | 0.34                 | 0.41                    | 9.030**ab   |
| Opportunities     | 0.88                 | 1.50                 | 2.00                    | 14.968**abc |
| Financial capital | 3.37                 | 4.43                 | 4.22                    | 10.427**ab  |
| N                 | 281                  | 56                   | 73                      |             |

Notes:

n = 410.

Statistic significance: † indicates  $p < 0.10$ , \* indicates  $p < 0.05$  and \*\* indicates  $p < 0.01$ .

<sup>a</sup> indicates significant difference between novice and serial entrepreneurs, <sup>b</sup> indicate significant difference between novice and portfolio entrepreneurs, and <sup>c</sup> indicate statistical difference between serial and portfolio entrepreneurs.

Table 2.3 Hierarchical linear regression: turnover (log) as dependent variable

|                         | Model 1  | Model 2  | Model 3             |
|-------------------------|----------|----------|---------------------|
| Control variables       |          |          |                     |
| Novelty                 | -0.244** | -0.256** | -0.234**            |
| De novo                 | -0.237** | -0.225** | -0.094 <sup>†</sup> |
| Experience              |          |          |                     |
| Serial entrepreneur     |          | 0.143**  | 0.081 <sup>†</sup>  |
| Portfolio entrepreneur  |          | 0.129**  | 0.051               |
| Resources               |          |          |                     |
| Start-up team           |          |          | 0.092 <sup>†</sup>  |
| Opportunities           |          |          | 0.018               |
| Financial capital       |          |          | 0.361**             |
| Model characteristics   |          |          |                     |
| F-value                 | 27.260** | 17.169** | 21.194**            |
| R <sup>2</sup>          | 0.134    | 0.164    | 0.300               |
| Adjusted R <sup>2</sup> | 0.130    | 0.155    | 0.286               |
| Δ R <sup>2</sup>        |          | 0.030    | 0.136               |
| Δ F-value               |          | 6.261**  | 22.357**            |

## Notes:

n = 351.

Statistic significance: <sup>†</sup> indicates  $p < 0.10$ , \* indicates  $p < 0.05$  and \*\* indicates  $p < 0.01$ .

entrepreneurs reach significantly higher sales turnover than novice entrepreneurs. The change in R square is 0.030 and is significant. In model 3 the variables measuring resources are included. The resulting increase in R square is 0.136 up to a total adjusted R square of 0.286. The change is highly significant. Financial capital is highly significant in the model, indicating an association between the amount of capital invested in the business and the achieved short-time turnover. Further, the presence of a start-up team is positive and significant at the 10 per cent level. The effect of serial and portfolio entrepreneurs is considerably reduced when resources are included. Portfolio entrepreneurship is no longer significant, while serial entrepreneurship is significant now only on the 10 per cent level. This indicates that access to resources is mediating the relationship between experience and performance. More specifically, serial and portfolio entrepreneurs reach higher turnover in their new businesses mainly because they are better able to get access to valuable resources.

Table 2.4 shows the results from a hierarchical linear regression analysis with employment as the dependent variable, following the same steps as the model above. Here also, the first model shows a negative association

Table 2.4 Hierarchical linear regression: employees (log) as dependent variable

|                         | Model 1  | Model 2  | Model 3  |
|-------------------------|----------|----------|----------|
| Control variables       |          |          |          |
| Novelty                 | -0.121** | -0.129** | -0.112** |
| <i>De novo</i>          | -0.168** | -0.161** | -0.052   |
| Experience              |          |          |          |
| Serial entrepreneur     |          | 0.101*   | 0.025    |
| Portfolio entrepreneur  |          | 0.098*   | -0.005   |
| Resources               |          |          |          |
| Start-up team           |          |          | 0.144**  |
| Opportunities           |          |          | 0.102*   |
| Financial capital       |          |          | 0.295**  |
| Model characteristics   |          |          |          |
| F-value                 | 10.584** | 7.104**  | 14.174** |
| R <sup>2</sup>          | 0.049    | 0.066    | 0.198    |
| Adjusted R <sup>2</sup> | 0.045    | 0.056    | 0.184    |
| $\Delta R^2$            |          | 0.016    | 0.132    |
| $\Delta F$ -value       |          | 3.495*   | 22.117** |

Notes:

n = 407.

Statistic significance: † indicates  $p < 0.10$ , \* indicates  $p < 0.05$  and \*\* indicates  $p < 0.01$ .

between novelty and *de novo* entry and performance, but this model is somewhat weaker than the turnover model with an adjusted R square of 0.045. Including serial and portfolio entrepreneurship in model 2 leads to an increase in R square of 0.016, which is a statistically significant change. Both types of experience are significant and positive in the model. Including the resource variables in model 3 removes the effect of entrepreneurial experience. The presence of a start-up team, the identification of more opportunities and access to financial capital are positively and significantly associated with the level of employment in the new businesses. Thus, the resources are here too mediators in the relationship between entrepreneurial experience and performance. The final model has an adjusted R square of 0.184 and is highly significant.

## DISCUSSION

The present study found that experienced business founders are better than novices at obtaining resources during new business start-ups. Hence, the first

hypothesis is supported. Further, supporting the second hypothesis, the more resources entrepreneurs acquire, the higher the subsequent performance of the business. The hierarchical regression analysis also showed that the dummy variables for serial and portfolio entrepreneurs failed to have any significant effect on performance when resource access was included in the model. These results indicate that serial and portfolio entrepreneurs have higher performance than novices because they are better at obtaining resources for the new venture. However, experienced entrepreneurs are not found to be able to utilize the resources they acquire any better than their novice counterparts.

The results of this study give interesting contributions to the literature on entrepreneurial experience and habitual entrepreneurship. First, this is one of very few studies that are actually able to show performance differences between experienced and inexperienced entrepreneurs. Acknowledging the need to control for the nature of the business idea, the results show that the new businesses of serial and portfolio entrepreneurs actually perform better. Second, the study begins to reveal what constitute the advantages of experienced entrepreneurs. Basically, these entrepreneurs seem to be better at getting access to resources which again help them build businesses with higher performance.

One important limitation of the present research is that we have only looked at one business and not the entire portfolio of businesses controlled by portfolio entrepreneurs. As Scott and Rosa (1996) argued, the performance of the latest venture of portfolio entrepreneurs may not give the true picture of their contribution to value creation, as they still create value through their previous businesses. However, to explore the potential experience curve of entrepreneurship, to look at the performance of their latest business is appropriate to reveal how they perform after they have learnt. Another potential limitation is the relatively short time-span between the initial data collection and the follow-up survey. Novel business ideas may require a longer period of time before the start to flourish. Further, an interesting question is how long the resource advantage of experienced entrepreneurs will give advantages. Are novice entrepreneurs eventually able to 'fill the gap'? After all, they too become experienced as time goes by. Future studies should also look at performance differences at later stages of the businesses' development.

Policy-makers should acknowledge the fact that a substantial proportion of new business formations are made by experienced serial and portfolio entrepreneurs, using their experience in the process of exploiting new business opportunities and setting up new businesses. They should also take into account that experienced entrepreneurs generally achieve higher performance in their new firms, at least on a short-term basis, because they are better at obtaining the resources needed. When supporting novice

business owners, their disadvantage when it comes to resource acquisition should be recognised. Support directed towards giving these entrepreneurs access to the necessary resources, particularly financial resources, may help novice entrepreneurs to increase the performance of their firms to the level of their experienced colleagues, as there is no evidence that novice entrepreneurs utilize the accumulated resources in an inferior way. New entrepreneurs should look at the way in which serial and portfolio entrepreneurs gather resources and try to learn from this.

The findings of the present study also raise new questions that should be dealt with in future research in this area. For instance, one should look into the process of resource acquisition and explore how experienced entrepreneurs are able to get access to a larger amount of resources. It is reasonable to assume that some of these resources are obtained from their previous or existing ventures. This raises a question about the nature and effects of resource transfer between the ventures of experienced entrepreneurs. As Iacobucci and Rosa (2004) suggested, the creation of new businesses on the basis of previous or existing businesses of experienced entrepreneurs can be regarded as evolutionary entrepreneurial systems where the relationship between the different business opportunity exploited by the entrepreneur and the dynamics of the entrepreneurial team(s) involved may be important antecedents of new business performance. Further studies into the motivational and processual aspects of serial and portfolio entrepreneurship are needed (Carter and Ram, 2003; Westhead et al., 2003). Moreover, there is a need to look into the influence of the performance of previous and existing businesses of experienced entrepreneurs, as one can assume it is easier to obtain resources from previous successful businesses than from failing businesses.

## NOTE

1. At the time of the initial data collection in 2002, this included, with few exceptions, all sole proprietorships (as well as other businesses) with an annual turnover of NOK 30 000 or more. (1 NOK = approx. US\$0.14 or 0.12 euros.)

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