

Global Entrepreneurship Launch your startup

Week 2 Understanding Entrepreneurs

... Clip 1 Institutional, Sociological perspective

Today's topic is entrepreneurs. Who are they? How did they become entrepreneurs?

As I mentioned last time, we have tried to understand entrepreneurship and entrepreneurs from various angles throughout history.

Chapter
1

Institutional, Sociological perspective



Today, we will take a more academic and structured look. Let's begin with the institutional and social perspectives.



Well, As a professor, I use same question every semester in the midterms.
The question is about comparison between Hanyang university and Stanford.



The question is about comparison Hanyang university and Stanford.

<https://www.stanford.edu/about/>

[https://www.hanyang.ac.kr/web/www/photo?p_p_id=board_WAR_bbsportlet
&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-
1&p_p_col_count=1&_board_WAR_bbsportlet_action=view_message&_boar
d_WAR_bbsportlet_messageId=919785](https://www.hanyang.ac.kr/web/www/photo?p_p_id=board_WAR_bbsportlet&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=1&_board_WAR_bbsportlet_action=view_message&_board_WAR_bbsportlet_messageId=919785)



- Approximately 19% of Stanford University graduates are reported to work in entrepreneurship or startups post-graduation.



- 50-70 Hanyang University students start their businesses every year; yet, it is not comparable to Stanford University.

Why are Stanford students closer to entrepreneurship than Hanyang University students?

Stanford is famous for having many entrepreneurs. Around 20% of its students start their own businesses or work at startups after graduation.

In contrast, although Hanyang University in Korea produces 50–70 entrepreneurs annually, it is nowhere near Stanford in comparison.

Why does this difference occur?

This is exactly the exam question I give every semester.

Stanford**Hanyang**

well-established

Environment for start-ups

✗

easy access

Information about start-ups

difficult

numerous practical courses

Start-up courses

lack offerings

good

Founders Network

✗

many

Mentors

✗

Institutional perspective**Sociological perspective**

Interestingly, Every semester, the students' answers are predictable.

About 50–60% respond like this:

Stanford has a well-established startup environment, but Hanyang University does not.

Stanford provides good access to startup-related information, but Hanyang University does not.

Stanford has many practical entrepreneurship courses, but Hanyang does not.

I consider these types of responses as the institutional perspective.

On the other hand, about 30–40% of students think like this:

Stanford has a strong entrepreneurial network, but Hanyang does not.

Stanford has many mentors, while Hanyang lacks them.

Yes, these responses reflect the sociological perspective.

Our students were understanding entrepreneurs through both institutional and social perspectives.

Let's now take a closer look at each perspective.

Institutional perspective

- Formal or informal rules shape entrepreneurship

First, the institutional perspective.

It suggests that formal or informal rules can create or hinder entrepreneurs.



William Baumol
Professor at NYU,
1922-2017

- People are basically same.
- Entrepreneurial effort varies depending on the rules of the game in society.
- In some societies, entrepreneurs innovate. In others, they may engage in only rent-seeking or unproductive activities.

Source en.wikipedia.org

<출처 : en.wikipedia.org/wiki/William_Baumol>

This is Baumol, a well-known economist.

According to Baumol, people are fundamentally the same.

However, whether someone becomes an entrepreneur depends on the rules of the game in their society.

Even if someone becomes an entrepreneur, the societal system can determine whether they become an innovative entrepreneur or a just rent-seeking person.



Douglass North
Professor at Washington
Univ. 1920~2015

- Studied Economic history.
- Winner of the 1993 Nobel Prize in Economics

Source en.wikipedia.org

<출처 : https://en.wikipedia.org/wiki/Douglass_North>

This is Douglass North. He studied economic history and is a Nobel Prize winner.

According to him, institutions in society can be broadly divided into two types: formal and informal institutions.



Douglass North
Professor at Washington
Univ. 1920~2015

• Formal and Informal Institutions

Example of formal institutions

- Market regulations, Bankruptcy law, Tax policies, etc.

Example of informal institutions

- Social value, norms or culture

Source en.wikipedia.org

<출처 : https://en.wikipedia.org/wiki/Douglass_North>

Formal institutions include things like regulations and taxes.

Informal institutions are things like cultural values and societal norms.

Formal institutions

- ❶ Four university students in Lima, Peru attempted to start a clothing manufacturing business
- ❷ Required 11 government approvals
- ❸ Took 289 days to acquire all necessary permits

Source [khmertimeskh.com](https://www.khmertimeskh.com)

<출처 : <https://www.khmertimeskh.com/690899/workers-offered-money-over-material-shortage/>>

For example, there were four university students in Lima, Peru. They wanted to start a clothing manufacturing business like the one shown in the photo.

However, to start such a business, they needed to obtain 11 different government approvals, which took almost a year.

Such approval processes are typical examples of formal institutions.

Formal institutions

Country	Typical Registration Time	Notes
Estonia	15 minutes-2 hours	Fastest globally; fully online process ⁶
Singapore	1-3 business days	Name reservation may add time; can be up to 2 months total
United Kingdom	1-3 days	Online registration available
Denmark	3.5 days	Efficient, digital process
Venezuela	Up to 230 days	Significant bureaucratic delays
Laos	Up to 195 days	Multiple steps, inefficiencies
Cambodia	98.5 days	Administrative delays

Fast**Slow**

Here are several countries.

You can see that the top four countries have very fast business registration times.

For example, Estonia takes as little as two hours. You apply online and get immediate approval.

In contrast, the bottom three countries take much longer.

For example, in Venezuela it takes 230 days.

If you want to start a business in Venezuela or Laos, you would need to consider that even the registration takes a long time. This becomes a barrier to becoming an entrepreneur

Informal institutions**Ji Won Moon**
CEO of The Ventures

- Founded a computer software company in 2000, but it failed within 3 years.
- Later moved to Silicon Valley, where her husband took MBA classes at Stanford.
- Gained positive entrepreneurial culture and founded again.

Source theventures.vc

This person is Mrs. Moon, founder of The Ventures. She started a business in 2000 but failed. Then she moved to Silicon Valley with her husband. In Silicon Valley, she found that everyone was talking about startups, and she felt that if she wasn't interested in startups, she would be left behind.

This is the startup fervor and culture present in Silicon Valley.

This kind of fervor and culture isn't formal.

: But it is part of that society's informal institutions.

So Mrs. Moon began a new business.

Up to this point, we've looked at the institutional perspective.

<https://theventures.vc/forums/QW3BEET8V>

Sociological Perspective

- Relationship, or group affiliations influence being entrepreneurs.
- Entrepreneurship is an outcome shaped by the social context in which individuals are embedded.

However, when we live in a society, we don't only consider institutional systems.

What's important is people.

Why do we move to nice neighborhoods or areas with good schools?

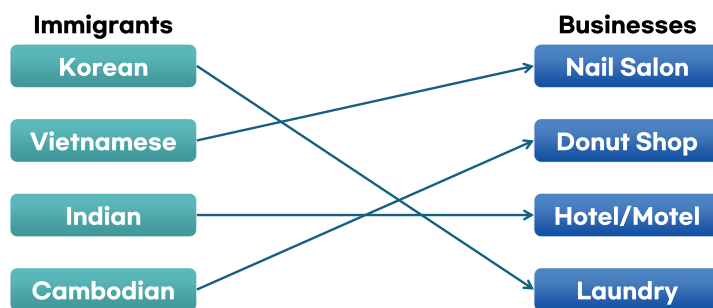
Because there are good people there.

Humans are social animals.

The sociological perspective suggests that relationships or group affiliations influence whether someone becomes an entrepreneur.

Entrepreneurship is shaped within the society that a person belongs to.

Match each immigrant with the business



The former immigrant from the same country influence the latter.

On the left, we have immigrant groups.

On the right, we have business sectors. Can you try to connect the two?

Korean immigrants primarily run laundromats.

Vietnamese immigrants often operate nail salons.

Indians are typically involved in hotel and motel businesses.

Cambodians are known for running donut shops.

Why is that?

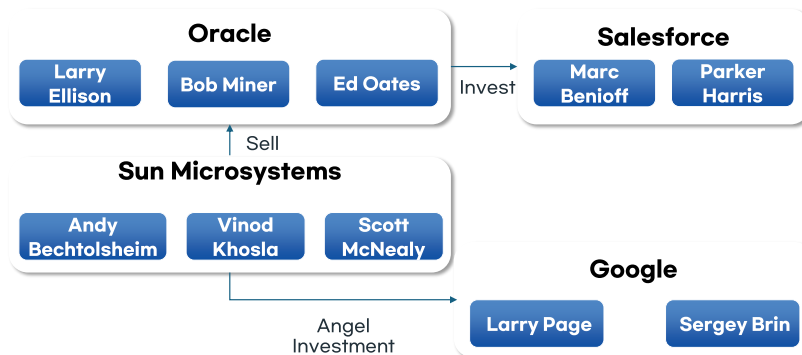
When someone immigrates without much knowledge of the local environment, they naturally seek guidance from those who came before them—usually relatives or close friends.

It is highly likely that they will learn and follow the same line of work as those former immigrants

For example, Korean immigrants began working in the laundry business starting in the 1980s, and those who followed tended to enter the same field.

The same applies to other immigrant groups.

Any Relationship?



Sun Microsystems was founded by three entrepreneurs: Andy Bechtolsheim, Vinod Khosla, and Scott McNealy.

In 2009, they sold the company to Oracle for \$7.4 billion.

As you may know, Oracle is an enterprise software company founded in 1977 by Larry Ellison, Bob Miner, and Ed Oates.

Larry Ellison, the founder of Oracle, later became an angel investor in Salesforce, a company founded in 1999.

Around the same time, Andy Bechtolsheim of Sun Microsystems made an angel investment in Google.

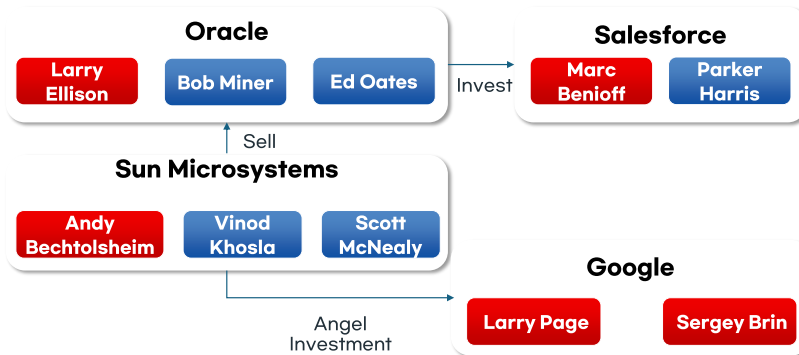
Why did such investments happen? Was it simply because these were great companies?

That might be part of the reason, but there's more to it—namely, the hidden network of Jewish connections.

Those marked in red on the chart are Jewish.

This shows that entrepreneurs are often shaped through social relationships.

Any Relationship? The Jewish Network



Those marked in red on the chart are Jewish.

This shows that entrepreneurs are often shaped through social relationships.

**SOCIAL INTERACTIONS AND
ENTREPRENEURIAL ACTIVITY****MARIASSUNTA GIANNETTI***Stockholm School of Economics, CEPR, and ECGI
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We show that individuals residing in highly entrepreneurial neighborhoods are more likely to become entrepreneurs and invest more into their own businesses, even though their entrepreneurial profits are lower and their alternative job opportunities more attractive. Our results suggest that peer effects create nonpecuniary benefits from entrepreneurial activity and play an important role in the decision to become an entrepreneur. Alternative explanations, such as entry costs, social learning, and informal credit markets, are not supported by the data.

- Analyzed Data from Sweden (1995-2000), ~470,000 individuals

- **Result:**

- 1 Individuals in highly entrepreneurial neighborhoods are more likely to start businesses—even when
 - » profits are low
 - » there are better outside job options

**"Where you live" matters
due to the people**

This research analyzed people in Sweden and produced surprising results: Even when better options were available, and the business opportunities were not highly profitable, people were more likely to become entrepreneurs if their next-door neighbor was also an entrepreneur. In other words, **where and with whom you live** matters greatly.

**THE STRUCTURE OF FOUNDING TEAMS:
HOMOPHILY, STRONG TIES, AND
ISOLATION AMONG U.S. ENTREPRENEURS****MARTIN RUEF**
Stanford University**HOWARD E. ALDRICH**
University of North Carolina**NANCY M. CARTER**
University of St. Thomas

The mechanisms governing the composition of formal social groups (e.g., task groups, organizational founding teams) remains poorly understood, owing to (1) a lack of representative sampling from groups found in the general population, (2) a "success" bias among researchers that leads them to consider only those groups that actually emerge and survive, and (3) a restrictive focus on some theorized mechanisms of group composition (e.g., homophily) to the exclusion of others. These shortcomings are addressed by analyzing a unique, representative data set of organizational founding teams sampled from the U.S. population. Rather than simply considering the properties of those founding teams that are empirically observed, a novel quantitative methodology generates the distribution of all possible teams, based on combinations of individual and relational characteristics. This methodology permits the exploration of five mechanisms of group composition—those based on homophily, functionality, status expectations, network constraint, and ecological constraint. Findings suggest that homophily and network constraints based on strong ties have the most pronounced effect on group composition. Social isolation (i.e., exclusion from a group) is more likely to occur as a result of ecological constraints on the availability of similar alters in a locality than as a result of status-varying membership choices.

1 Panel Study of Entrepreneurial Dynamics (PSED), U.S.-wide representative survey.

2 816 nascent entrepreneurs and their founding teams

Another study examined 816 early-stage entrepreneurs and their teams in the United States.

The results showed that startup teams were usually composed of individuals with similar backgrounds—often friends and family members. Contrary to expectations, **functional diversity** within teams was relatively low.

**THE STRUCTURE OF FOUNDING TEAMS:
HOMOPHILY, STRONG TIES, AND
ISOLATION AMONG U.S. ENTREPRENEURS****MARTIN RUEF**
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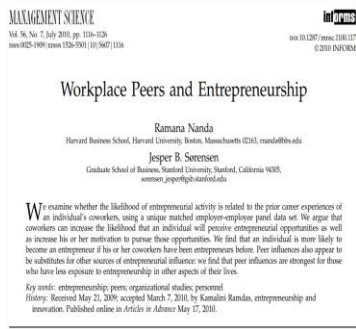
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Result

- 1 People tend to form teams with others similar to themselves in gender, ethnicity, and occupation.
- 2 Many teams are composed of family members, spouses, or business acquaintances.
- 3 Functional diversity is less common than expected.

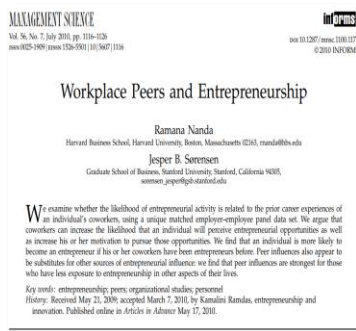
Birds of a feather flock together.

There's an old saying: "Birds of a feather flock together." And this is precisely the case.



- 1 Analyzed Danish national registry (1990-1997) with matched employer-employee data.
- 2 Over 270,000 individuals, newly hired in 1990.

This study analyzed people in Denmark.
It examined wage workers.

**Result**

- 1 A one standard deviation increase in peer entrepreneurial experience led to a 4% increase in the likelihood of becoming an entrepreneur.

"Who you work with" matters:

It found that if a coworker had prior entrepreneurial experience, the likelihood of an individual becoming an entrepreneur increased significantly. **Coworkers played a critical role.**

In short, **who you work with** also influences whether or not you become an entrepreneur.

Summary

- Although we define entrepreneurship as attitude or behaviors of entrepreneurs, those are shaped by:
 - » institutional conditions (laws, culture, policy)
 - » who they know, where they live or work

To summarize:

Although entrepreneurship is often defined by individual attitudes and actions, those very attitudes and behaviors are shaped by broader **institutional frameworks** and **social relationships**.

Global Entrepreneurship Launch your startup

Week 2 Understanding Entrepreneurs

... Clip 2 Biological, Psychological,
& Economic perspective

Now let's take a fresh look at entrepreneurship—through a different lens.

Chapter 2 **Biological, Psychological, & Economic perspective**



Namely, biological, psychological, & Economic perspective



Source

[youtube.com/watch?v=h2KTPmrT8xY](https://www.youtube.com/watch?v=h2KTPmrT8xY)

<insert video here: <https://www.youtube.com/watch?v=GLuiFdRwytg>>
Let's begin with a short interview clip from Jeff Bezos, the founder of the world's top e-commerce company, Amazon.
Interesting, isn't it? He mentions a friend named Yasantha.
So, what became of Yasantha? Did he also become an entrepreneur like Bezos?



Dr. Yasantha
Researcher and
Data Scientist

- Jeff Bezos' classmate at Princeton University
- Born and raised in Sri Lanka
- He went to the same college as Jeff Bezos and is even smarter than Bezos, but he is still a scientist and not a entrepreneur.

Source [youtube.com/watch?v=HXM089acVZ0](https://www.youtube.com/watch?v=HXM089acVZ0)

<Source: <https://www.youtube.com/watch?v=HXM089acVZ0>>

Actually, Yasantha was born and raised in Sri Lanka and later studied at Princeton—

yes, he's a genius. A national genius in Sri Lanka.

He earned his Ph.D. and now participates in several scientific projects and holds many patents.

But he's a scientist—not an entrepreneur.



Jeff Bezos
Founder of
Amazon.com

- After graduation from Princeton Univ., he worked at Wall Street.
- He became the youngest senior vice president at D.E. Shaw & Co.
- Left D.E. Shaw to found an online bookstore, Amazon.

Source en.wikipedia.org

Source: https://en.wikipedia.org/wiki/Jeff_Bezos

Now, did Bezos become an entrepreneur right after graduating?

No. He worked in Manhattan, in an investment firm.

He was rapidly promoted and earned a high salary.

But in 1994, he quit everything and moved to Seattle to pursue an internet business.

So he became an Entrepreneur.

Why two people chose different paths?

Well, maybe they are different, biologically, psychologically, and economically.

So far, **we've discussed that people are same,**

but who they know and the formal or informal rule can determine whether they become entrepreneurs.

Biological perspective

- Genetic and neurological factors influence entrepreneurial behavior

But from now on, our viewpoint will be different:
this perspective starts with the assumption that ****people are fundamentally different****—especially at the genetic level.



Scott Shane
Professor at CWR

- Analysis of 870 identical twins and 857 same-sex fraternal twins in the UK.
- The entrepreneurial behavior is influenced by genetics, accounting for approximately **37% to 42%** of the variance.

Source virtusinterpress.org

<출처 : <https://virtusinterpress.org/Professor-Scott-Shane-became-an.html>>

Professor Scott Shane, a famous scholar in entrepreneurship, studied 870 identical twins and 857 fraternal twins. His findings? Biological genetics explain about 40% of entrepreneurial tendencies. That's significant.



Johan Wiklund
Professor at Syracuse

- A survey was conducted with 559 MBA students.
- Students with attention-deficit traits (ADHD) were more likely to attempt entrepreneurship.
- Sensation-seeking tendency of ADHD leads to entrepreneurship.

Source Syracuse University

<Source : Syracuse University>

Then there's Professor Johan Wiklund. He had ADHD when he was young and later studied the entrepreneurial tendencies of MBA students with ADHD.

Surprisingly, those with ADHD traits were more likely to become entrepreneurs.

Why? Genetic Traits like ****sensation seeking**** led them down the path of entrepreneurship.

This is the ****biological perspective****—our genetic traits matter.

Psychological Perspective

- Individual personality traits, motivations, and cognitive styles shape entrepreneurial intentions, behavior, and success.

But we can't explain everything with genes alone.
What about our personalities, motivations, and cognitive styles?
These are the domains of psychology.

Personality, Traits, & Motivation**Personality traits described in the biography of Steve Jobs****Steve Jobs**
Founder of Apple

- 1 He believed it was natural for everyone to accommodate him.
- 2 He was sensitive and emotional.
- 3 Jobs did not regret not giving stock options to early Apple employees.

Source simple.wikiquote.org

<Source : https://simple.wikiquote.org/wiki/Steve_Jobs>

Let's talk about Steve Jobs. According to his biography:

- People said that
 - He believed others should adjust to him.
 - He was emotional and sensitive.
 - He didn't regret not giving early employees stock options.

What does this tell us?

Jobs had a unique personality, which shaped his path as an entrepreneur.

Personality, Traits, & Motivation

For decades, scholars have explored whether entrepreneurs are driven by traits such as:

- High achievement motivation
- Risk-taking tendencies
- Desire for control
- Extroversion
- autonomy
- Conscientiousness

Personality, Traits, & MotivationJournal of Applied Psychology
2006, Vol. 91, No. 2, 259-271Copyright 2006 by the American Psychological Association
0021-9010/06/\$12.00 DOI: 10.1037/0021-9010.91.2.259EUROPEAN JOURNAL OF WORK AND
ORGANIZATIONAL PSYCHOLOGY
2007, 16(4), 353-385Psychology Press
Taylor & Francis Group**The Big Five Personality Dimensions and Entrepreneurial Status:
A Meta-Analytical Review**Hao Zhao
University of Illinois at ChicagoScott E. Seibert
McCombs Business School

In this study, the authors used meta-analytical techniques to examine the relationship between personality and entrepreneurial status. Personality variables used in previous studies were categorized according to the five-factor model of personality. Results indicate significant differences between entrepreneurs and managers on 4 personality dimensions such that entrepreneurs scored higher on Conscientiousness and Openness to Experience and lower on Neuroticism and Agreeableness. No difference was found for Extraversion. Effect sizes for each personality dimension were small, although the multivariate relationship for the full set of personality variables was moderate ($f^2 = .25$). Considerable heterogeneity existed for all of the personality variables except Agreeableness, suggesting that future research should explore possible moderators of the personality-entrepreneurial status relationship.

Keywords: personality, entrepreneurship, meta-analysis

**Let's put the person back into entrepreneurship
research: A meta-analysis on the relationship between
business owners' personality traits, business creation,
and success**Andreas Rauch and Michael Frese
University of Gießen, Gießen, Germany

The role of personality traits in the decision to start a business and to maintain it successfully is discussed controversially in entrepreneurship research. Our meta-analysis builds upon and extends earlier meta-analyses by doing a full analysis of personality traits that includes a comparison of different traits from a theoretical perspective and by analysing a full set of personality predictors for both start-up activities as well as success. Theoretically, our article adds to the literature by matching traits to the tasks of entrepreneurs. The results indicate that traits matched to the task of running a business produced higher effect sizes with business creation than traits that were not matched to the task of running an enterprise, corrected $r = .247$, $K = 47$, $N = 13,280$, and corrected $r = .124$, $K = 20$, $N = 3,975$, respectively. Moreover, traits matched to the task produced higher correlations with success, corrected $r = .250$, $K = 42$, $N = 5,607$, than traits not matched to the task of running a business, corrected $r = .028$, $K = 13$, $N = 2,777$. The traits matched to entrepreneurship significantly correlated with entrepreneurial behaviour (business creation, business success) were need for achievement, generalized self-efficacy, innovativeness, stress tolerance, need for autonomy, and proactive personality. These relationships were of moderate size in general and, moreover, heterogeneity suggested that future research should analyse moderator variables.

Source Zhao, H., & Seibert, S. E. (2006).
Rauch, A., & Frese, M. (2007).

Source Zhao, H., & Seibert, S. E. (2006). The big five personality dimensions and entrepreneurial status: A meta-analytical review. *Journal of applied psychology*, 91(2), 259.>

Rauch, A., & Frese, M. (2007). Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success. *European Journal of work and organizational psychology*, 16(4), 353-385.>

Two major studies reviewed previous findings and revealed that

Personality, Traits, & Motivation

while some traits do correlate,
others—like risk-taking and extroversion—are not necessarily linked to
entrepreneurship.
So that's personality. But now let's talk about **cognitive psychology**.

Cognitive style

The Middle East is the best place to do construction

It doesn't rain for a year. We can work for a year



The sand and gravel needed for construction are already on site.

Too hot? Then sleep during the day and work at night.

Source yurajun.tistory.com

<Source : yurajun.tistory.com/3506>

Let's take Chung Ju-yung, the founder of Hyundai Group in Korea. He was a farmer and not educated. But he started construction business right before Korean war.

In 1960s, When Korea's president suggested construction companies explore opportunities in the Middle East, many did not accept the suggestion due to the hot weather, sand, and lack of rain.

But Chung Ju Young had a different view.

The lack of rain? Great—we can work every day.

Sand and gravel? Perfect! These are building materials.

Too hot? We can Work at night, sleep during the day.

He simply thought differently.

Cognitive style

"I bought a small plane to visit Walmart stores, but after flying once, I realized the airplane is a great tool for evaluating real estate."



"When you look down from the sky, you can see the traffic, you can grasp what kind of city and town you're dealing with, and you can easily figure out how the competition is going to unfold."

- Sam Walton, Founder of Walmart-

Source econeato.org

<Source : <https://www.econeato.org/caricature3.html>>

Sam Walton, founder of Walmart, also thought differently. He piloted his own plane to scout store locations—so he could observe traffic conditions and geography from the sky. From this, he tried to understand the unknown pattern. That's a powerful example of ****cognitive difference****—how entrepreneurs perceive things uniquely.

Economic perspective

- People have different incentives due to ability, skills, or education.
- Entrepreneurship is an optimal choice based on the calculation of their incentive.

Now let's move to the ****economic perspective****.

Economics is all about incentives and choices.

People make decisions based on their incentive from ability, skills, or education.

According to economists, entrepreneurship is the optimal choice driven by these incentives.



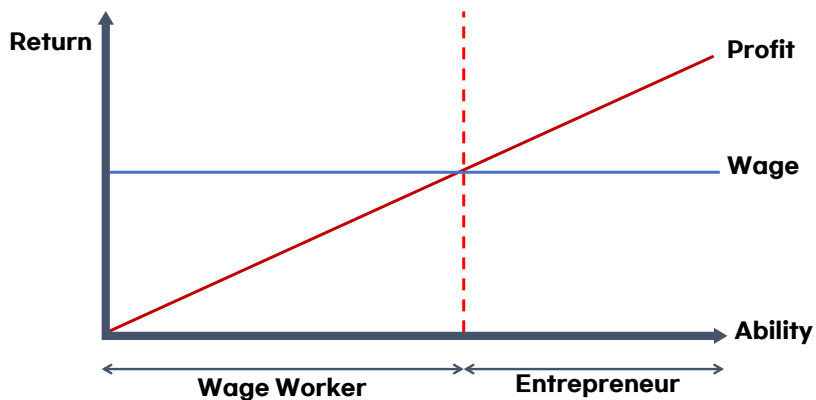
Robert Lucas
Professor at
University of Chicago

- Winner of the 1995 Nobel Prize in Economics.
- People all have different levels of ability.
- The person with the highest ability becomes an entrepreneur, and those with lower ability become wage laborers.

Source [nobelprize.org](https://www.nobelprize.org)

<Source : <https://www.nobelprize.org/images/lucas-13470-content-portrait-mobile-tiny.jpg>>

He is Robert Lucas, a Nobel winner in 1995,
He argued that people have different abilities and therefore different incentives.
Those with higher abilities choose entrepreneurship; others remain wage workers.
Why?



Source Parker, S. C. (2018).

<Source : Parker, S. C. (2018). The economics of entrepreneurship. Cambridge University Press.>

Let's look at the graph:

- X-axis: Ability
- Y-axis: Income

If you're a wage worker, your income is fixed regardless of ability.

But your contribution to the company differs.

If you're highly capable, your contribution exceeds your salary—you're better off starting your own business.

If you don't have ability, you don't contribute to the company.

However, you got same salary no matter how much you contribute.

So, If your ability is lower, wage work makes more sense.

Lucas concluded: people with high abilities are more likely to become entrepreneurs.



Edward Lazear
Professor at
Stanford University, 1948–

- Running business requires a variety of tasks.
- People differ in their skills.
- Those who possess a broad set of skills are more likely to become entrepreneurs.

“Jack of All Trade” hypothesis

Source quotetab.com

<Source <https://www.quotetab.com/quotes/by-edward-lazear> >

Then there's Edward Lazear, a labor economist. He emphasized ****skills****—not deep specialization, but ****broad skills****. Running businesses requires many tasks: accounting, marketing, management—you name it. Some people are good at many tasks, others don't. Because people are different in terms of skills. The broader your skill set, the more likely you are to become an entrepreneur. This is called “Jack of All Trade” hypothesis.

Summary

- 1 People differ in relevant traits, motivation, cognitive style, ability, and skills.
- 1 Biological perspective= It's in your genes.
- 1 Psychological perspective=It's in your mind (or thinking)
- 1 Economics=It's in your incentives due to ability and skills

So let me summarize:

Many people agree that people are different.

- The ****biological perspective**** says we have different Genes and DNA determines entrepreneurial potential.
- The ****psychological perspective**** emphasizes that our mind are different and the way of thinking is also different, which shape entrepreneurship
- The ****economic perspective**** says entrepreneurship results from incentive-driven choices based on ability and skills.

Global Entrepreneurship Launch your startup

Week 2 Understanding Entrepreneurs

... Clip 3 Behavioral perspective

Let's begin by exploring the final perspective — the Behavioral Perspective.

Chapter 3 Behavioral Perspective



Let's begin by exploring the final perspective — the Behavioral Perspective.

Behavioral Perspective

- Entrepreneurship is what people do in practice.
- It focuses on observable actions and adaptive responses to uncertainty

This view acknowledges also recognizes that people are different.

But what makes them different? It is their actions that differ.
The behavioral perspective focuses on what entrepreneurs actually do.

Why important?

- ❶ It explains how entrepreneurs cope, adopt, and behave in ambiguous, resource poor, uncertain situations.
- ❷ Focusing observable actions turns entrepreneurship teachable and practical.
- ❸ Entrepreneurs are not static. They are growing through feedback, mistake, and iteration. The behavioral view capture this nonlinear, process-based nature.

Why is the behavioral perspective important?

Because it explains how entrepreneurs cope, adapt, and act in ambiguous, resource-poor, and uncertain environments.

Also, observable actions can be taught in the classroom.

Last but not least, People are not static — they grow.

The behavioral perspective embraces this non-linear personal growth and evolution.

Let's take a look at the card news I've prepared.

카드뉴스 삽입 예정

Behavioral perspective Emphasizes

	Behavioral Perspective	Description
Focus	Actions and practices	Entrepreneurship is understood via behavior.
View of Entrepreneur	Adaptive doer and learner	Entrepreneurs adapt to dynamic environments.
Unit of Analysis	Behaviors in context	Centers on doing rather than being.
Example of concept	Pivoting	Changing course based on feedback or failure.

Did you find James Watt and Martin Dickie's behaviors insightful?
If you find yourself in similar situations and act similarly,
I believe you too could lead a high-growth company like theirs.

Let's return to the behavioral perspective.

Behavioral perspective focuses on the entrepreneur's actions themselves

Entrepreneurs are seen as people who continuously learn and adapt.

It analyzes how they act at any given time, rather than genes, personalities, ways of thinking, or incentives.

For example, when a business changes its product or service, we call that a pivot.

This is a typical behavior examined from the behavioral perspective—when and how to pivot.



Source
youtube.com/watch?v=h2KTPmrT8xY

Let's watch a very famous 1980s drama for a moment.

It's a show called MacGyver.

Bricolage

- The practice of “making do by applying combinations of the resources at hand to new problems and opportunities.
- Prof. Ted Baker & Nelson (2005) initiated the concept.
- The key question is, “How can I do it under resource-constrained situations?”

As seen in the video, MacGyver fixed a broken fuse. He had no proper tools or materials, yet he fixed it using a gum wrapper. Such behavior—using what people has at hand to solve a problem—is academically termed bricolage.

Bricolage is defined as follows:

The practice of “making do by applying combinations of the resources at hand to new problems and opportunities.”

Professors Ted Baker and Nelson introduced this concept.

It offers an answer to how we can act in the lack of resources.

Startups frequently face these kinds of situations.

Bricolage

	MacGyver in TV	James Watt & Martin Dickie Founder of BrewDog
Constraints	Limited tool, materials	Lack of capital, can't access major retailers or pubs
Focus	Improvising with limited resources (gum's foil)	Improvising with limited resources (Mom's garage, old van)
Approach	Hands-on tinkering	Reusing, combining existing things
Outcomes	Fix things	Building value

Let's compare MacGyver and BrewDog's founders from the card news.
Both practiced bricolage.
MacGyver lacked tools and materials to fix the fuse.
BrewDog's founders lacked capital and access to retailers.

Both created something from limited resources.
As a result, MacGyver fixed the fuse—although it is temporarily—and
BrewDog created value of company.

This is one of the key behaviors often presented from the behavioral
perspective—bricolage.
I hope you remember it and put it into practice.



<https://www.youtube.com/watch?v=njMZHOUlP8c>
3:35-4:31

Next, let's watch an interview clip of YouTube co-founder Chad Hurley. When asked by the host, Chad Hurley said he didn't expect YouTube to become so big, and he just focused on meeting short-term goals.

In fact, The YouTube startup story is a kind of legend in the startup world. There were three founders: Chad Hurley from the video, Steve Chen, and Jawed Karim. All three had worked at PayPal and knew each other well.

In late 2004, Jawed Karim found it troublesome to send a party video to multiple people. So the three founders thought—why not create a platform for sharing? All three were engineers, so they didn't need to hire others and had the network, which allowed them to quickly build a simple video-sharing platform within

a few months.

They built the company and technology without expensive equipment or large investments, just personal gear and prototypes. They had nothing to lose.

They leveraged PayPal networks and got angel and VC investments. These partnerships helped eventually sell to Google.

Originally, they thought it might be used for dating, but people started uploading and sharing funny videos. So the founders pivoted in that direction.

They also formed unofficial partnerships with early content creators, supporting popular uploaders with featured exposure and traffic, creating a win-win.

These behaviors go beyond just resource use.

While it resembles bricolage, dealing with lack of resources, entrepreneurship requires more—minimizing loss, forming networks, win-win stakeholder relationships, flexibility in unexpected situations, and focusing on controllable, immediate problems rather than detailed future plan

This comprehensive concept is called effectuation.

Effectuation

- A logic of thinking or behaviors about how expert entrepreneurs build their companies successfully.
- Prof. Sarasvathy(2001) developed the concept.
- Entrepreneurs start with what they have and co-create opportunities through action, experimentation, and collaboration.

Effectuation is a logic of behavior or thinking on how expert entrepreneurs build successful companies.

It was proposed by Professor Saras Sarasvathy at the University of Virginia.

Unlike conventional thinking, successful entrepreneurs start with what they have and know,
and co-create opportunities and value with stakeholders.

Effectuation

	Principle	Description
1	Bird-in-Hand	Start with who you are, what you know, and whom you know
2	Affordable loss	Focus on what you can afford to lose, not expected return
3	Crazy Quilt	Build partnerships with self-selected stakeholders
4	Lemonade	Leverage surprises and contingencies
5	Pilot-in-the Plane	Focus on activities you can control, not predict

Effectuation includes five principles:

1. ****Bird-in-Hand**** – Start with what you know, who you know, and what you have.
2. ****Affordable Loss**** – Focus on what you can afford to lose, not expected returns.
3. ****Crazy Quilt**** – Partner with anyone and anything that aligns with your path.
4. ****Lemonade**** – Embrace and leverage surprises and threats with flexibility.
5. ****Pilot-in-the-Plane**** – Focus on what you can control now rather than predicting the future.

Let's reflect on the YouTube example again.



Source
[youtube.com/watch?v=W608u6sBFpo](https://www.youtube.com/watch?v=W608u6sBFpo)

Insert Video here- <https://www.youtube.com/watch?v=W608u6sBFpo>
15:24-18:54

Next is the recently spotlighted entrepreneurial behavior—**hustle**. Let's watch a lecture clip by Airbnb founder Brian Chesky at Stanford.

Interesting, isn't it? Airbnb was started by Brian and Joe Gebbia. Even before the business began, they couldn't afford rent the room, so they offered a temporary, unlicensed bed and breakfast using air mattresses.

They didn't make much, but they came up with the idea to connect those with extra space and travelers seeking affordable stays.

They launched three websites and, as shown in the video, sold Obama and McCain cereals during the Democratic National Convention to pay off credit card debt.

You can see their desperate, responsive struggle to survive.

Entrepreneurial Hustle

- urgent, unorthodox, and resourceful actions that entrepreneurs take to create and capture value.
- Fisher, Kuratko, and Bloodgood (2017) defined the concept.
- Not just working hard → Acting fast, improvising, and doing whatever it takes to move the startup forward.

This kind of urgent, non-traditional, improvisational, and resourceful or tactical action is called ****entrepreneurial hustle****.

This concept is Proposed by Professor Fisher and colleagues at Indiana University,

it's not just about working hard—it's about responding quickly in the right direction.

Entrepreneurial Hustle

	Element	Description
1	Urgency	Fast-paced, immediate action in response to pressing needs
2	Unorthodoxy	Actions that deviate from formal strategies, norms, or industry conventions
3	Intended Usefulness	Actions are not just reactive or symbolic; they aim to generate real value or progress for the venture
4	Addressing Immediate Challenges or opportunities	Tackling problems or seizing chances in the near term (not abstract goals)

Entrepreneurial Hustle has four sub-components:

1. **Urgency** – Quick, immediate action.
2. **Unorthodoxy** – Non-traditional actions.
3. **Intended Usefulness** means that Actions must be value-driven.

For example selling cereals to pay off debt)

4. **Response to Immediate Challenges or Opportunities**

Combined, these four elements define entrepreneurial hustle.

Summary

- It emphasizes what entrepreneurs do, not just who they are or what they think.
- Bricolage is 'making do' with available resources to solve problems.
- Effectuation emphasizes starting with existing means to create opportunities.
- Entrepreneurial hustle = urgent, unorthodox, and resourceful action.

To summarize:

The behavioral perspective focuses on what entrepreneurs actually do.

We looked at three representative entrepreneurial behaviors:

1. ****Bricolage**** – Using what's available to create solutions.
2. ****Effectuation**** – Starting with what you have, collaborating with stakeholders, and building value.

There are five principles such as bird in hand, affordable loss, crazy quilt, lemonade, and pilot in the plane

3. ****Entrepreneurial Hustle**** – Urgent, unorthodox, and resourceful actions to survive and grow.

It has four sub-components.

Thank you for staying focused throughout this session.

Thank you for staying focused throughout this session.