

NOTES FROM THE CORNER OFFICE:

An Urgent Need for More Ethnographic Study of Business Creation

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The study of entrepreneurship is about 30 years old and is now widely accepted as an important and relevant field of academic research (Davidsson 2016, Kauffman Foundation 2017, Ferreira, Reis, and Miranda 2015). Today a search for “entrepreneurship” in Google Scholar yields over 1.3 million citations¹.

Business creation (in the context of this article I use the term synonymously with entrepreneurship) is widely acknowledged for being an important component in job creation, wealth creation, economic growth, and innovation (van Praag and Versloot 2007) within virtually all economies. It is estimated that currently there are 17.8 million nascent entrepreneurs in the United States attempting to get 9.5 million businesses to profitability, with an estimated 300 million nascent entrepreneurs worldwide (Reynolds 2017). We are discussing a very important subject that impacts very large numbers of people the world over.

Over the past twenty years we have accumulated a considerable body of panel survey data relative to nascent entrepreneurs engaged in the business creation process in the United States (Panel Study of

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¹ Searched on August 18, 2017.

Entrepreneurial Dynamics (PSED), Kauffman Firm Survey (KFS)) and also in over 100 other countries (Global Entrepreneurship Monitor (GEM)). This research has yielded rich insights into the diversity and the complexity of the steps followed by entrepreneurs to launch their businesses (Reynolds 2016, Reynolds and Curtin 2008). But telephone surveys, no matter how well constructed, of entrepreneurs reporting on their own actions, often years in the past, can only yield information of a coarse nature about what entrepreneurs actually do to survive, succeed, or end up failing.

I am what could be termed a business creation “native informant” who has spent 35 years doing various forms of new business creation, 25 years from within an existing business structure and 11 years on my own². For the past seven years I have been teaching entrepreneurship at Princeton³. I teach, advise, and mentor many hundreds of young entrepreneurs. I am also the maternal grandson of an entrepreneur, my father was an entrepreneur, and both my sons are currently starting new businesses. I am immersed in entrepreneurship.

And I want to know the truth about entrepreneurship so that I can teach it properly. What we teach about entrepreneurship in college to our students is controversial relative to whether it yields any measurable benefit to our students (see for example Lautenschläger and Haase 2011). It may even hurt them; if we inspire our students to be entrepreneurs in ways in which they only have small chances of success, whereas if they chose alternative forms of entrepreneurship or chose other careers they would be better off materially with higher self-esteem, then we really are only “leading lambs to slaughter.” Unfortunately, aspiring entrepreneurs ignore academic research and are instead influenced by memoirs of highly successful entrepreneurs who preach a form of entrepreneurship I would call, “Shoot for the moon, break things, and use other people’s money” (see for example Horowitz and Kenerly 2014, Thiel and Masters 2014).

Immersing myself in research and the literature since arriving at Princeton over six years ago has yielded some theories about what makes one entrepreneur successful while another seemingly equivalently qualified one unsuccessful (Lidow 2014). The one very stark conclusion I have reached is that we, speaking of myself now as an academic, need to do different types of research that is more relevant to entrepreneurs in order for our research to actually help improve entrepreneurial outcomes.

² See Derek Lidow, Slides: *Expanding Understanding of Business Creation*, presented at the Princeton Kauffman Conference 2017, available at <https://www.princetonkauffman2017.com/materials>, slide 22.

³ See <http://dereklidow.com/teaching>.

Speaking again as a native informant I find the research on entrepreneurship and business creation to be almost completely oblivious to the actual entrepreneurial experience. First, the existing research, in order to get enough data points to be statistically relevant, typically throws all entrepreneurs into a single statistical bucket. Comparing the entrepreneurial actions of a full-time Uber driver with those of a PhD founder of a biotech startup yields only the most general of insights. Secondly, business creation is a very dynamic process and describing what is happening at one point in time, or, even worse, comparing what's happening at widely dispersed points in time in the maturation of an enterprise yields misleading results (see for example, Mueller, Volery, and Siemens 2012). Thirdly, almost all research on entrepreneurs rests on certain unstated assumptions that may not hold true. For example, while economics requires enterprises to receive at least as much money as they spend in order to survive long term, that does not mean that we can or should assume all entrepreneurs are actually trying to make a profit. Similarly, we cannot assume that all entrepreneurs are accurate and/or honest in how they answer questionnaires about how they went about creating their businesses. Psychology has long ago identified the critical distinction between implicit and explicit motivations (McClelland, Koestner, and Weinberger 1989), which most recent entrepreneurship research just ignores. The problems with entrepreneurial research outlined above serve as only a partial list of the issues involved.

To really understand how businesses are created will require a multitude of ethnographic studies of entrepreneurs working with their teams, suppliers, customers, investors, regulators, and others, from the time their first desires to start a new business are manifest through to the time that their businesses have become self-sustaining, have been sold, or have been closed. Unfortunately, very few ethnographic studies of entrepreneurs in the midst of starting businesses have been conducted to date. Alex Stewart recently compiled a bibliography of all the ethnographic studies of anything associated with entrepreneurial processes published in peer reviewed journals (Stewart n.d.); his list contained 179 citations, of which less than a tenth actually focused on entrepreneurs in the act of starting businesses, and many of those were developing world artisanal businesses.

I, along with the help of six highly supportive members of a program committee⁴, recently convened a conference here at Princeton, sponsored by the Kauffman Foundation, to discuss how to stimulate more ethnographic research into the business creation research mix⁵. The

⁴ See Derek Lidow, Slides: *Expanding Understanding of Business Creation*, presented at the Princeton Kauffman Conference 2017, found at <https://www.princetonkauffman2017.com/materials>, slide 4.

⁵ See <https://www.princetonkauffman2017.com>.

conference was attended by 50 academics, one senior journalist, and several administrators from potential funding agencies and foundations. The conference brought together academics from the fields of entrepreneurship research, business anthropology, applied ethnography, and the sociology of organizations, perhaps for the first time, to discuss what we need to better understand business creation and how to go about achieving that. The attendees and other academics interested in business creation created a set of important and relevant questions we expect ethnographic based research of the business creation process to answer⁶.

We can look forward to the new research initiatives that we spawned at the conference, but we need to do more. The conference was purposely limited in size in order to facilitate interdisciplinary discussions and research agendas. But the conference also resulted in the creation of a new research community of academics interested in understanding what really happens during the business creation process, in all parts of the world, in all different types of entrepreneurial ecosystems, with all types of business models, and in all parts of the supply chain. We invite you to join this community by posting your name and interests under "Conversations" at the conference website⁷. We would greatly value any interest, support, and research partnerships offered by the business anthropology community. We have important societal questions to answer and we need all the help we can get. Also feel free to write me directly at dlidow@princeton.edu.

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⁶ See

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