

Starting a new business? Money isn't everything

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Social support as well as one's own managerial experience can be more important factors than financial investment when starting a new business, new research from ESCP Europe reveals.

Professor of management Christian Linder found that many paths and activities lead to success, and combinations of human and social strengths are strongly related to entrepreneurial survival, while surprisingly, financial investment is not.

An individual's managerial experience, and their knowledge on how to establish and cultivate social ties with others for support can indeed compensate for lack of financial means.

"The lack of task-specific managerial and industry knowledge makes financial investment ineffective. It is the combination of resources and their interplay that is more important than monetary support on its own" says Professor Linder

The founder's personality, mindset, and judgement are all underestimated factors in the early stages of entrepreneurship, and these findings highlight how individuals can overcome financial constraints by combining their other available resources, experience, and skills.

This research could be used to not only guide individuals at the start of their business ventures, but it could also direct venture capitalists and other finance suppliers on how to identify which founder has the relevant experience and resources that are associated with a higher probability of survival.

Ultimately, sufficient and insufficient starting conditions exist and not every direction will lead an entrepreneur from the starting point to a desired destination, however the individual founder is the primary resource, and financial aid will not make up for lack of experience, knowledge, or ability to foster much needed social support.

These findings come from data from two panel studies on entrepreneurial activities and venture emergence and are published in Entrepreneurship Theory and Practice.

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