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(2012)

*ACE research vignette 016 : balanced skills - effects and origins.*

ACE Research Vignette.

(Unpublished)

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## ACE Research Vignette: Balanced Skills – Effects and Origins

This series of research vignettes is aimed at sharing current and interesting research findings from our team of international Entrepreneurship researchers. In this vignette, post-doctoral research fellow Michael Stuetzer considers the effects and origins of balanced skills.

### **Background and research focus**

Founding a new venture is not easy. Surviving the first few years and eventually growing a business is an equally demanding task. In order to successfully run a business, entrepreneurs must be competent in a number of skills given that they have to combine different resources such as physical and financial capital, people and ideas. According to this line of reasoning entrepreneurs should have balanced skills - in other words entrepreneurs should be a “Jack-of-all-Trades”. But just how big is the effect of balanced skills on engaging, persisting and excelling in entrepreneurship? Furthermore what are the origins of a balanced skill set?

### **How we investigated this**

In order to investigate these questions we draw on recent studies on the “Jack-off-all-Trades” hypothesis and our own research where we conducted face-to-face interviews with founders of 100 innovative start-ups in the German state, Thuringia.

### **Effects of balanced skills**

Several studies have investigated the effect of balanced skills across the entrepreneurial process (see Figure1). From these studies it appears that individuals with a balanced skill set are much more likely (up to six times) to engage in entrepreneurship than individuals with a specialised skill set.

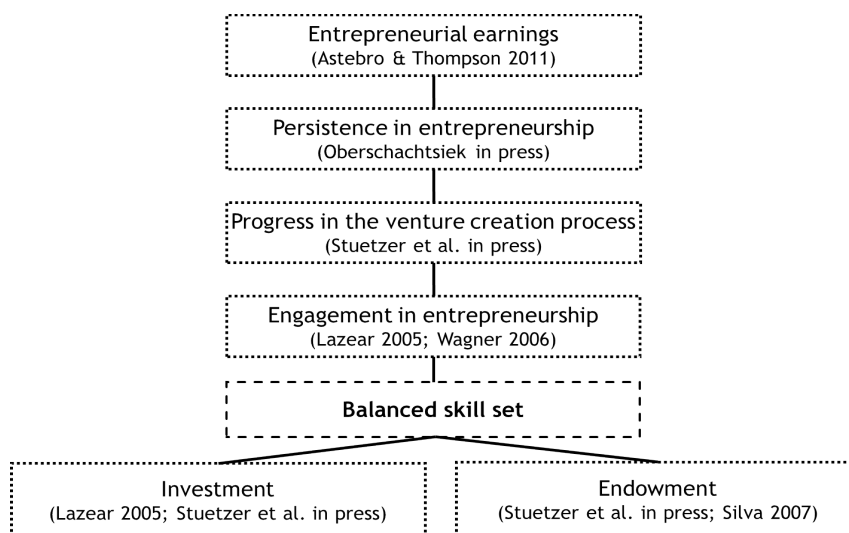


Figure 1: Origins and Effects of Balanced Skills

# The Australian Centre for Entrepreneurship Research



Balanced skills also help nascent entrepreneurs (those yet to formally establish their new venture) to make progress in the venture creation process. Analysis shows that nascent entrepreneurs with balanced skills undertake approx. 33% more gestation activities (writing a business plan, acquiring finance and setting up a web page) as compared to nascent entrepreneurs with unbalanced skills. After the business has been founded, balanced skills are also important to keep the business up and running. An analysis of German data on the duration of self-employment reveals that entrepreneurs with balanced skills have an up to 6 times longer self-employment duration before exiting into unemployment.

Do balanced skills pay off in terms of earnings and profits? The surprising answer is no. According to Canadian data, entrepreneurs with a balanced skill set earn around 10% less than comparable entrepreneurs with a specialised skill set.

Taken together these findings demonstrate that for individuals with balanced skills, entrepreneurship is a much better occupational fit rather than wage work where many jobs are highly specialised. However to earn significantly more money with a business, other things might be required and be more important.

## **Origins of balanced skills**

Recent studies show that a combination of investment and initial talent contributes to having balanced skills. On one hand, would be entrepreneurs can deliberately invest in developing balanced skills by working in different jobs and industries, working in small and young firms and having a broad educational background. Entrepreneurial experience and managerial experience also helps to acquire skills and knowledge in various fields. On the other hand some individuals are innately endowed with a personality conducive to entrepreneurship. Such an innate attribute often leads individuals to unintentionally acquire multiple skills. An analysis of 100 German entrepreneurs revealed that both factors, investment and endowment, are equally important to achieve a balanced skill set.

## **Business and policy advice**

Balanced skills are important for entrepreneurship and their formation can be supported already early in life. School intervention programs can activate a broad range of skills in children. Parents should encourage their children to engage in a range of leisure and other activities rather than concentrating on a single one. Later on, more diverse school and university curricula are also important tools to foster skill variety and development.

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