Journal of Business Venturing 30 (2015) 185–204

Contents lists available at ScienceDirect

Journal of Business Venturing

The tortoise versus the hare: Progress and business viability differences between conventional and leisure-based founders☆

Phillip H. Kim [a,*], Kyle C. Longest [b,1], Stephen Lippmann [c,2]

[a] University of Wisconsin - Madison, Department of Management and Human Resources, 975 University Ave, Madison, WI 53706, United States
[b] Furman University, Department of Sociology, 3300 Poinsett Highway, Greenville, SC 29613, United States
[c] Miami University, Department of Sociology and Gerontology, Oxford, OH 45056, United States

ARTICLE INFO

Article history:
Received 23 September 2013
Received in revised form 9 January 2014
Accepted 24 February 2014
Available online 13 April 2014

Field Editor: P. Davidsson

JEL classification:
L26
M13

Keywords:
Start-up activities
Leisure-based founders
Organizing speed
Business viability
Growth curve modeling

ABSTRACT

Social science researchers have long pursued answers to the puzzle of why some people achieve certain milestones more quickly than others and whether rate of progress matters for long-run outcomes. This "tortoise versus hare" puzzle raises the question of whether speed is a valid indicator of viability in an undertaking: Are those with slower rates of progress any less off in terms of long-run achievement when compared to their faster counterparts? We investigate this "tortoise and hare" puzzle in the context of business formation, an activity pursued by millions in the United States. Our analysis of a nationally representative survey of U.S. business founders revealed that leisure-based founders were slower to make progress initially, but after a certain time threshold, their progress was no different than other conventional types of founders. More importantly, leisure-based founders showed more favorable initial economic and non-economic outcomes, as these founders were more likely to consistently report early sales and profitability and were more committed to investing time into their ventures. Our study findings have both theoretical and practical implications for the evaluation of venture performance, when the rate of progress is considered to be a leading indicator of new business viability.

1. Executive summary

A longstanding puzzle in the social sciences is whether rate of progress matters for long-run outcomes. In the context of business formation, entrepreneurs who find themselves first out of the gates may be better positioned to accrue external funding or achieve early profitability, but we set out to explore whether businesses that mature more slowly are any less accomplished in the long run. We investigate the puzzle of the tortoise and the hare in entrepreneurship studying those who start businesses based on leisure pursuits. According to the U.S. National Federation of Independent Businesses, 22 percent of small business owners reported having a hobby or special interest related to their products or services, suggesting that leisure-based

☆ We thank our editor, Per Davidsson, and our reviewers for their excellent feedback and advice. We also appreciate the helpful comments and suggestions from Howard Aldrich, Grégoire Croidieu, Diana Hechavarria, Mark Maltarich, Dan Olszewski, Patrick Vernon, and seminar participants at Babson College. We thank Nikki Bown, Michael Enyart, Gail Glaze, and Kati Goetsch for their excellent research support. This research was funded in part by the Ewing Marion Kauffman Foundation (Grant # 20100112). The contents of this publication are solely the responsibility of the grantee.
* Corresponding author. Tel.: +1 608 265 0574; fax: +1 608 262 8773.
E-mail addresses: pkim@bus.wisc.edu (P.H. Kim), kyle.longest@furman.edu (K.C. Longest), lippmas@miamioh.edu (S. Lippmann).
[1] Tel.: +1 864.294.3303.
[2] Tel.: +1 513.529.8515.

http://dx.doi.org/10.1016/j.jbusvent.2014.02.005

entrepreneurship is a non-trivial matter. However, ventures that straddle the work and non-work divide often develop more casually, causing us to seek more clarity regarding the effect their slower initial rate of progress has on longer-term outcomes.

The theoretical puzzle we address in our study is linked to a broader conceptual agenda of how people exploit entrepreneurial opportunities and why such processes differ among founders. For ventures based on a hobby or leisure pursuit, we draw on the concept of "serious leisure," which is a sustained set of skilled activities governed by an ethos (shared with other enthusiasts) that provides a sense of identity for participants. Participation in serious leisure activities can provide potential entrepreneurs with knowledge of the production processes, markets, or any of a variety of other important pieces of information necessary for successful entrepreneurship. Armed with these resources, we argue leisure-based founders approach entrepreneurship in ways that do not depend on a rate-based evaluation framework, and that these business owners are driven by a different set of motives favoring slow and steady commitment to their venture.

We investigate this puzzle by examining the Panel Study of Entrepreneurial Dynamics (PSED II). Our analysis of over 1,100 early-stage business owners in the US measured both the number of startup activities completed in a given time period, as well as economic and non-economic outcomes. Our analyses reveal that leisure-based founders progress more slowly through start-up milestones, sometimes lagging by almost a full year behind their traditional entrepreneurial counterparts. However, this steady pace did not lead to any discernable differences in overall progress in the long run; in fact, leisure-based ventures were more likely to achieve critical economic outcomes, such as generating revenue and achieving profitability, necessary for viable businesses. Leisure-based founders were also more likely to deepen their commitment to their ventures over time.

Our study centers on the issue of venture-organizing speed and its consequences on early founding outcomes. By investigating founding speed as an outcome, we explore a new dimension of the viability of new ventures in ways that complement existing outcomes studied in the entrepreneurship literature. Our focus on leisure-based founders affords us new insights into a vibrant but understudied segment of the entrepreneurial landscape. Our arguments clarify how integrations between people's leisure and economic spheres influence the progress of new venture development, ability to achieve favorable economic milestones, and attract ongoing commitment by its founders. In this, our work extends existing insights regarding the relationship between entrepreneurship and leisure in a different direction than what previous studies have argued.

> "You've been at this for four years and what have you to show for your efforts?"
>
> [Kevin O'Leary, Investor, Shark Tank Television Show]

2. Introduction

A longstanding puzzle in the social sciences is why some people achieve certain milestones more quickly than others and whether rate of progress matters for long-run outcomes. For example, some students race to the top in academic evaluations, while other late-bloomers achieve the same outcomes, but require a longer timeframe to accomplish this. Among university faculty, star scientists publish successfully early in their careers, while others receive equally important recognitions, but later on. This "tortoise versus hare" puzzle raises the question of whether speed is a valid indicator of evaluating the effort. Are those with slower progress any less accomplished than their faster counterparts when compared over the long run?

We investigate the tortoise and the hare puzzle in the context of business formation. For scholars and practitioners alike, entrepreneurship has been depicted as a journey, an effort founders embark on as they attempt to create businesses. These journeys can be construed as processes composed of multiple steps and milestones marking progress toward business formation (Gartner, 1990; Lichtenstein et al., 2006; McMullen and Dimov, 2013; Newbert et al., 2013). Although most people in the United States work for someone else, a sizeable number – over 10 million people – attempt new business formation activities annually (Reynolds, 2011). Some of these business efforts start and end quickly, while others take time to mature, implying that understanding business formation processes requires both an assessment of what milestones and outcomes are accomplished and the rate at which founders achieve them. Like our examples from other contexts, it would be reasonable to expect the speed of formation to be an indicator of business success (Lichtenstein et al., 2007). Founders who quickly establish their ventures make active progress in determining whether an opportunity can become a viable operating entity (Davidsson and Gordon, 2012; Delmar and Shane, 2004). Fast-starting ventures, in turn, attract the attention of investors and policymakers for their ability to generate returns and contribute to their local economies.

Despite the appeal of cultivating fast-starting ventures, most founders face the reality that they will not achieve this manner of progress (Aldrich and Ruef, 2006). Studies have shown founders require long start-up horizons of several years before building an operating firm (e.g., Dimov, 2010). During this time, slowly maturing ventures are prone to more exposure to liabilities of newness, which lower their chances for developing into viable new organizations (Stinchcombe, 1965). But are there conditions for which slowly maturing ventures achieve better outcomes than their more speedy counterparts?

To exploit the inherent tension in the tortoise versus hare puzzle more dramatically, we investigate people who start businesses based on their leisure activities, a class of business ventures developed from reasons straddling the work and non-work divide. Start-up speed can vary dramatically among entrepreneurs, and we argue that one important factor in explaining this variation is the relationship between individuals' entrepreneurial activities and the other, non-economic aspects of their lives. This interface has long been a focus in sociological studies of work-related outcomes, but only preliminary progress has been made by scholars who have examined issues related to leisure and entrepreneurship (Douglas and Shepherd, 2000; Lévesque and Schade, 2005; Shane, 2003). The distinction is important, however, because it likely has a direct effect on the time they have to devote to their entrepreneurial