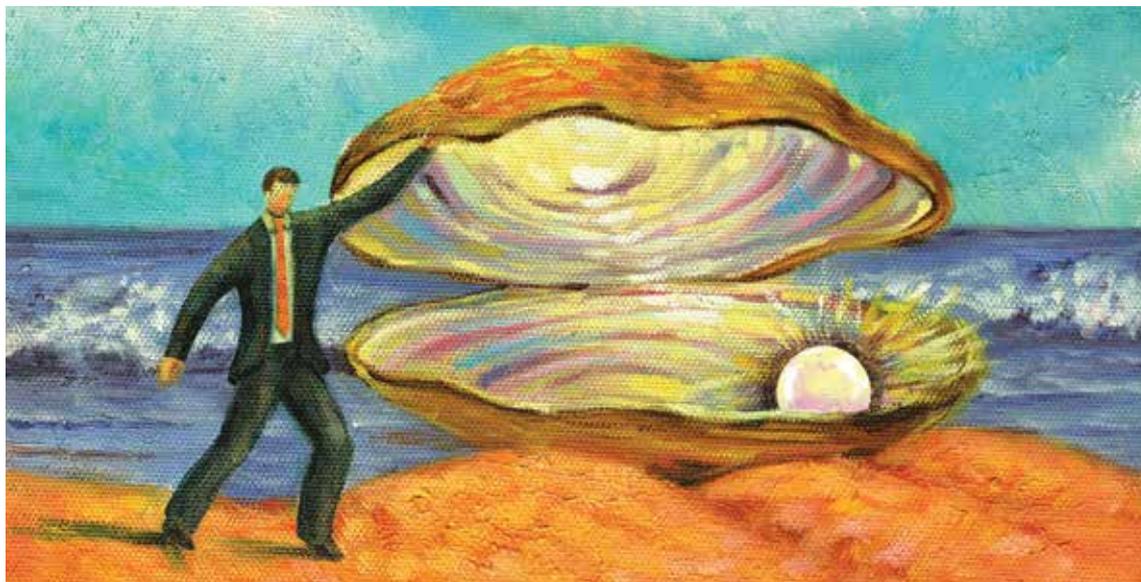


Professor Claudio Loderer looks at the personality traits and other circumstances that help create successful entrepreneurs. Luck, he says, is not as important as one might assume.



Are Successful Entrepreneurs Just Lucky?

Do successful entrepreneurs have luck on their side?

A new paper studies the role of sheer luck compared with talent, experience, education, and hard work in entrepreneurial performance.

Claudio Loderer, Diego Liechti, and Urs Peyer

Research shows personal characteristics and the ability to take risks play a role in startup success.

Claudio Loderer '80S (MS), '83S (PhD), the academic director of Simon's Rochester-Bern Executive MBA program in Switzerland, along with co-authors Diego Liechti and Urs Peyer, studied the role of luck among entrepreneurs in Switzerland, considered by various sources to be the most innovative, entrepreneurial, and competitive country in the world. "Luck" was defined as unexpected performance for purposes of the study.

Their paper, "Luck and Entrepreneurial Success," is based on a 2007 survey of 63,202 individuals in Switzerland. More than 8,200 respondents completed the questionnaires. About a third were entrepreneurs who had registered their businesses between 2002 and 2006; the rest were non-entrepreneurs, including teachers, engineers, managers, and public employees.

"Entrepreneurs are markedly different people," the authors state. "Compared with non-entrepreneurs, they are more likely to be male and a bit younger, are less risk averse and more overconfident, and have the same management experience but shorter industry experience."

Respondents rank luck dead last in importance

among various success factors, and luck accounts for less than a third of performance. How entrepreneurs view luck is mostly unaffected by past performance and many personal characteristics, the study found, including the illusion of control and overconfidence. Even religion and cultural background do not change its relative ranking among success factors. Non-entrepreneurs held similar beliefs.

Luck does play a role in a number of activities, however, such as finding the appropriate business idea and choosing the right moment to enter a market. But perhaps more important, it is the perception of luck that shapes the decisions of entrepreneurs and other managers, the authors found.

"Individuals who believe luck is important are more reluctant to start new businesses," they say. "Moreover, they are less likely to tap a fraction of the assets in their pension plans to fund their firm and less willing to work full time."

Loderer says the paper shows that what entrepreneurs believe is luck correlates with the unexplained fraction of performance in a standard econometric model. Estimates of that model also show that hard work, one of the pillars of a strong work ethic, does affect performance. Talent, education, and especially experience also have an impact.

The paper's findings build on original research conducted by co-author Diego Liechti during dissertation work at the Institut für Finanzmanagement in Bern. It is one of the first large-scale empirical studies of its kind. **SB**

—Sally Parker



Loderer