Human Capital Values Among Entrepreneurs

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Abstract
Whenever someone starts a company from scratch there is a great chance he or she (the entrepreneur) looks for funding. People who fund entrepreneurs and start-ups are usually venture capitalists or business angels. Whether it is one or the other these people want to invest wisely. However without last year’s report piling up at the reception of this start-up another approach is necessary. This master thesis focuses on how valuation is possible without having financial data. The main focus the thesis is to find which personal attributes you should look for in a successful future entrepreneur.

Keywords
human capital investment/valuation/accumulation, new venture valuation, entrepreneurship, start-up, venture capital assessment.
Foreword

I would like to thank everyone who has supported me throughout the process of writing the thesis. I also want to thank Jesper Kjellerås at The Hub Stockholm for his belief in me and the opportunity to create something tangible for today's market and the work at The Hub.

I would like to thank my family, friends and course mates at KTH. I would also like to thank the twelve persons who have been a part of the empirical research for the thesis.

Last but not least a big thanks also goes out to my supervisors at KTH Thomas Sandberg and Ingela Sölvell for their valuable input.

Thank you very much!
# Table of Contents

1. Introduction ...................................................................................................................... 1  
   1.1 Relevance .................................................................................................................. 1 
   1.2 Purpose ..................................................................................................................... 1 
   1.3 Research Question ................................................................................................... 1  
   1.4 Limitations, Delimitations & Bias ............................................................................ 1 
   1.5 Today’s Market ......................................................................................................... 2

2. Methods ........................................................................................................................... 3  
   2.1 Methodological Underpinnings ................................................................................. 3
   2.2 Method I – Literature Review .................................................................................. 3 
   2.3 Method II – Interview Study ..................................................................................... 3

3. Theoretical Analysis – Literature Review ...................................................................... 5 
   3.1 Introduction ............................................................................................................... 5 
   3.2 Experience and Specific Competence ....................................................................... 5 
   3.3 Education ................................................................................................................ 6 
   3.4 Manager Competence .............................................................................................. 6 
   3.5 Network and Social Competence ........................................................................... 6 
   3.6 Other Significant Factors ......................................................................................... 7

4. Empirical Analysis – Interview Study .......................................................................... 8

5. Analysis .......................................................................................................................... 10  
   5.1 Education ............................................................................................................... 10 
   5.2 Experience .............................................................................................................. 10 
   5.3 Manager Competence ............................................................................................ 11 
   5.4 Network and Social Competence ......................................................................... 11 
   5.5 Time ....................................................................................................................... 11 
   5.6 Other Significant Factors ....................................................................................... 12

6. Conclusions & Discussion ............................................................................................ 13

7. Reflections & Suggested Further Research .................................................................. 14

References ......................................................................................................................... 15 
   Literature ...................................................................................................................... 15 
   Internet Sources .......................................................................................................... 17 
   Interviewees .................................................................................................................. 17

Appendices ......................................................................................................................... i  
   Basequestions for the Interview Study .......................................................................... i 
   Deliverable for The Hub Stockholm ............................................................................. ii
1. Introduction

The introductory chapter will give an insight on how the market for entrepreneurs looks today in correlation with venture capital (VC). It will discuss and explain the topic of the report along with underpinning it. It will also deal with the purpose, research questions and limitations.

1.1 Relevance

In today's capitalist world there are people with a lot of money and people with no money. At the same time many people with money are most likely looking to increase the benefit of having this money. Besides from placing their money in the bank or bed mattress most are looking to earn a bigger interest. To earn bigger often include more risk and without knowing what to look for when investing the rational capitalist is left blind.

Wetter (2009) states that today's scientists and decision-makers focus more and more on new companies and the people who actually create them. He also states that research has shown that it is these individuals and companies that create the greater deal of new work opportunities and innovations. At the same time entrepreneurship is a risky trade with high stakes and, possible zero or even negative monetary outcome, (because it often doesn’t guarantee any salary and requires investments) (Murat & Owen, 1998).

1.2 Purpose

The thesis will contribute to the literature with new data from an empirical analysis. But first and foremost the thesis will deliver a possible framework for investors to use when looking at soft values that reside with entrepreneurs. The report is expected to deliver one specific way of valuing new start-ups against each other. No monetary sum will be reported for the valuations, it will instead be a matter of grading them as good or bad focusing on whatever is concluded important. The findings will hopefully be taken into action at The Hub Stockholm and among others in the same or similar field of business.

1.3 Research Question

The thesis has two research questions, both of high importance and closely linked together with the aim of personal attributes. The second research question comes from the assumption that valuating human capital is key when there are no tangible assets. The research questions are:

- Can a business be valued by only regarding human capital attributes?

- What personal attributes are suitable for an entrepreneur to be successful?

1.4 Limitations, Delimitations & Bias

The focus for the thesis is how a valuation can be done in a working manner towards useful and accurate results. It does not claim to report any best practice model or even something innovative, however it will hopefully be useful for
valuating ventures without any financial data. Because no financial data of the current business can be regarded, only personal attributes that reside among the entrepreneurs or employees will be addressed.

The thesis also focuses on new ventures or start-ups and therefore the subjects for valuation is conclusively entrepreneurs. However if it is their first time involved in a start-up or not is not something that will be a limitation but perhaps a parameter for investigation.

The thesis is written by one author and no co-authors, this may cause some bias due to the lack of internal discussion among authors that usually takes place in thesis writing. However more importantly it limits the amount of data possible to gather and to cross-reference. Some literature might simply not be found or thoroughly reviewed due to this constrain.

Since the thesis is written and all methods conducted in Stockholm or the vicinity of Stockholm, the results and conclusions might be biased and angled towards Stockholm attributes. Whether these conditions are different from the rest of the world is something that won’t be taken into consideration. However, the literature to be researched for the thesis will not only be based on the business climate in Stockholm making the report less biased and more truthful.

All methods will be conducted simultaneously which may lead to affect one another. Some theory might be favored because of the empirical findings, however the intension is to avoid this as much as possible and to create an objective thesis. One way the author work is by valuing the occurrence of attributes in the empirical study. An attribute that has appeared several times in the interviews will be valued higher than one who has appeared fewer times. This will make the thesis more accurate but also very dependent on the answers of the respondets in the interview study.

1.5 Today’s Market

Today there are several entrepreneurs looking for VC to start their businesses. Even if all new start-ups don’t use VC there is a statistical difference in success speaking for the VC backed ones (Wadhwa, 2008). One can also argue that there are more people than there are VCists because of the skills and monetary prerequisites VCists need. When this is taken into consideration one might think about how frequently a single VCist meets new entrepreneurs and how much time should be given to evaluate each idea and team. A screening of the personal factors is a process that usually gets around 120 hours by VC companies according to Smart (1999).

A due diligence process in a VC company consists of four factors: human capital, product, market and money (Smart, 1999). However according to Bhutoria (2003), to assess the human capital is hard and results in miscalculated human capital in 57% of the cases. According to her, one third of valuators valuation time is spent on assessing human capital for each potential investment. And to assess human capital, VC companies use work samples, interviews and psychological testing. Smart (1999) argues that to get an accurate picture approximately 6000(!) hours are needed.
2. Methods

This chapter will address the methods the thesis uses to retrieve data needed for the analysis. It will address which methods that will be used and underpin the reason for using them. The method for the thesis is a combination of a literature review combined with a qualitative interview study. The procedure will be to use these simultaneously to achieve better results and to follow up on interviews made in the interview study if new angles appear. These will later be combined in an analytical chapter and followed by conclusions and discussion.

2.1 Methodological Underpinnings

Since the sponsor for this project (The Hub Stockholm) has provided the author with a problem, a constructive research will be implemented by making empirical research in the form of a qualitative interview study combined with a literature review. The author has however been given the freedom to focus the report by his own choosing. In the same manner, the school where the author studies have also set requirements and therefore the theoretical material is almost conclusively of scientific form.

2.2 Method I – Literature Review

The research area the thesis deals with is not new and many things have been written regarding it. Therefore a literature review will enrich and improve all the content. The subject for the thesis is however new to the author and the theoretical chapter will therefore take the form of an explorative literature review.

Scientific articles and books will primarily be found using the keywords for the thesis. Interviewees as well as scientists and other parties with knowledge on the subject will however also be asked to refer literature of high quality that can aid the author's work with the thesis. Literature often quoted within scientific articles with relevant statements and arguments will also be reviewed. Part to find the source of a statement and part to find more relevant and useful theory.

A substantial amount of literature will be reviewed and a selection of only the most relevant material will be as objectively as possible be picked by the author. The rest of the reviewed literature will be discarded and not mentioned in the thesis. The literature will be used to quote statements, make conclusions and to inspire to more questions for the interview study.

2.3 Method II – Interview Study

To find comparable and up to date data for the thesis an interview study will be conducted. During the study the author will interview several VCists, incubators, recruitment consultants and entrepreneurs with questions regarding their way of valuing start-ups and entrepreneurial attributes. People with these professions will be interviewed because they all work in some way towards valuing personal attributes. A spread of people with slightly different work positions as mentioned above will be interviewed to give a better multi-angled and credible picture.
A great selection of people will be from incubators and science parks found in the list of Swedish Incubators and Science Park Services (sisp, 2012). The author will however also use referrals to find and interview other subjects in similar fields. The referrals will come from scientists in the field and from parties interviewed during the interview study. These methods will be used to find the most qualified persons in the vicinity of Stockholm to best answer these questions. There will however be a choice of persons who will be interviewed as the author might choose to not interview a subject referred if he or she seems unsuitable. Therefore the interview study for the thesis will be qualitative and purposive.

The questions will be asked through meetings or phone interviews and in some cases complemented through e-mail contact. A questionnaire will be prepared before the interviews are conducted but will only contain base questions. The interviewee will have the opportunity to speak freely and the interviewer will ask questions spontaneously within and outside of the questionnaire, therefore the type of interview is semi-standardized.
3. Theoretical Analysis – Literature Review

This chapter will illuminate the theories and factors found during the literature review. It consists of various theories and factors relevant to the thesis. The material was selected through referrals from persons working in or related to its field and by searching the Internet using the thesis’ keywords. The key factors or attributes found in the theoretical material will be emphasized and explained.

3.1 Introduction

Wetter (2009) states that according to the resource based theory it is the unique resources a company possess that creates the success for the company. At the same time he argues that the only way to analyze and understand knowledge-based companies is to measure the intellectual capital in that company. It can be argued that when a company e.g. a start-up begins its journey, there are no tangible assets because human capital cannot be owned nor fully controlled. (Bhutoria, 2003) At the same time research has shown that human capital and social capital are among the best factors of predicting a new business future (Kozmetsky et al., 1985; MacMillan et al., 1985; Stuteville, 1988; Dubini, 1989; Stuart & Abetti, 1990; Cooper et al., 1994; Elango et al., 1995; Wetter, 2009).

The literature on the subject of what the thesis is based on lifts many factors or attributes important for entrepreneurs to possess. But according to Bhutoria (2003) there is no “holy grail” in human capital valuation. Among the most significant factors found in the literature were experience, managing & specific competence, education and social network. There was however around 20 factors or attributes found that appeared in the multiple scientific papers reviewed for the thesis.

3.2 Experience and Specific Competence

Regarding experience different authors argue differently what is of importance; some argue that the experience should be of entrepreneurial nature when some others state that working within similar markets as they have done earlier in their careers is a key factor.

There are several authors who argue that previous start-up experience is a key factor for a successful start-up. Among them are Kourilsky (1977), Chandler & Jansen (1992) and Davidsson & Benson (2003). Wetter (2009) add to this argument by stating that regardless of a previous venture success or failure a positive effect will still be forwarded on a new start-up. Ibrahim & Goodwin (1986) takes this one step further and state that any pre-ownership of a business is considered as a good factor. Cooper et al. (1994) also argue that previous start-up experience is good but also that industry related experience affect entrepreneurs positively when running a start-up. They also mention that it leads to a better chance of survival for the start-up company.

Bhide (2000) states that many people who start businesses use something they encountered in their previous employment. Having industry related competence is according to Shepherd (1999) a strong factor that can help the company to success and Chandler & Hanks (1994) state that it leads to a positive performance. Though according to Chandler & Jansen (1992) task similarities in
previous and current work have been found to negatively affect profitability, and is therefore considered as a negative factor according to them.

3.3 Education

Regarding which education is best, the authors in the theoretical material argue very differently. According to Davidsson & Benson (2003) having a high level education discourage risk taking and less or no education encourage risk taking. (Risk taking is an attribute highly valued with entrepreneurs (Ibrahim and Goodwin, 1986)). At the same time Cooper et al. (1994) argue that high education among the entrepreneurs leads to a better chance of survival for the company. But according to Chandler & Jansen (1992) regular education doesn’t change the prerequisites, but instead they argue that business education among the entrepreneurs positively affects the profitability of a start-up. On another hand Clark et al. (1984) argue that taking entrepreneurial classes lead to commitment and motivation when starting a business.

Shepherd (1999) and Ibrahim & Goodwin (1986) state that educational capability is a strong factor on making a venture successful. At the same time human capital theory concludes that knowledge provides increased cognitive abilities leading to more efficient and productive activity (Schultz, 1959; Becker, 1964; Mincer, 1974). Education does not however enrich the entrepreneur with persistence in their work according to Gimeno et al. (1997).

3.4 Manager Competence

A major factor that correlates over most of the material used for the thesis is the managing role the founder of a start-up must take. Mintzberg & Waters (1982) state that there are three distinct roles an entrepreneur must assume: entrepreneurial, managerial and a technical-functional role. The literature clearly states that the managerial role is essential in entrepreneurship and start-up ventures (Wheelen & Hunger, 1989; Ibrahim & Goodwin, 1986; Chandler & Jansen, 1992; Erikson & Nerdrum, 2000; Davidsson & Benson, 2003; Kaplan & Strömberg, 2004). Hofer & Sandberg (1987) exemplify this by stating that the manager must in a good manner set and communicate vision and goals as well as motivate the team at the same time.

3.5 Network and Social Competence

According to Ibrahim & Goodwin (1986) good relations with stakeholders are necessary for a successful entrepreneurship. Having parents within business ownership and being encouraged by neighbors and friends is also parts that boost social capital according to Davidsson & Benson (2003). They also state that social capital move the entrepreneurial process forward and helps to create a working business entity.

Entrepreneurs in start-up firms should use their personal network in order to get a higher chance of success (Dunkelberg et al., 1987; Davidsson & Benson, 2003). Erikson & Nerdrum (2000) even state that social networks could be an increasing indicator on possible opportunities the entrepreneur can perceive and recognize.
3.6 Other Significant Factors

There were some factors that appeared in the literature less frequently but still frequently enough to be mentioned in the thesis. Those factors were persistence or stubbornness and opportunity recognition.

According to Chandler & Jansen (1992) successful entrepreneurs believe in themselves and have the drive to see their venture through to fruition. By this they mean that the successful entrepreneur doesn't give up when setbacks appear but keeps going until he or she reach his or her goal. Several authors argue that the entrepreneur must have a capacity to put in an intense effort (Ibrahim & Goodwin, 1986; MacMillan et al., 1985; Hofer & Sandberg 1987; Schein 1987; Erikson & Nerdrum, 2000). They must be able to believe in themselves and their idea regardless of what outside interests say (Chandler & Jansen, 1992).

Timmons et al. (1987) argue that the core of entrepreneurship is the ability to recognize and take advantage of an opportunity. Similarly Chandler & Jansen (1992) argue that the use of their opportunity recognition is a key competence for entrepreneurship. Ibrahim & Goodwin (1986) place creativity as a key factor in entrepreneurship. In the same manner Casson (1982) argues that entrepreneurship is “taking judgmental decisions about the co-ordination of scarce resources”. Eriksson & Nerdrum (2000) say that a stronger capacity to recognize opportunities gives a better entrepreneur.
4. Empirical Analysis – Interview Study

In this chapter the results from the interviews are merged and the most frequent attributes found are emphasized. A total of twelve persons were interviewed to form this chapter during the process of writing the thesis. The persons were selected but some of them came from referrals.

There were a total of over 30 attributes found affecting entrepreneurship positively in the interviews, however far fewer factors appeared more than twice. Therefore the factors appearing most have been favored to give a less biased truth of what really is of importance. The persons interviewed are entrepreneurs or working at incubators, VC firms, and recruitment consulting agencies. Their names and positions can be found in the references.

The factor that occurred most often was drive. It was mentioned in 83% of the cases. Robin af Burén at Valbay says that an entrepreneur must be someone who gets things done regardless of the task, he exemplifies this by saying that the entrepreneur is the business. Ulf Eriksson at SU Innovation states that drive is the most significant factor and that an entrepreneur must work at a high pace.

The second one was previous experience as it was mentioned by 75% of the respondents as a factor that is positively related to entrepreneurial success. However most respondents also said that personal prerequisites is of great importance, but Hans Otterling at Northzone argues that previous experience sometimes is of higher value than personal prerequisites like e.g. education. Maria Nilsson at STING says that specific experience is very important because it gives an insight and knowledge of the business. It was however also mentioned that experience is great but isn’t always needed to be successful in several cases, most of the respondents also mentioned that the experience doesn’t have to be successful.

The in order third factor that was mentioned by the respondents was the ability to sell, 67% of the respondents mentioned it. Some respondents placed it together with social competence and argued that an entrepreneur must be able to sell or explain his or her idea to all internal and external stakeholders. Amin Omami at Serendipity Innovation argues that previous salesman experience is great and being good at selling an idea on any occasion is closely related to creativity. Märit Johansson at KI Science Park says that sales are something that an entrepreneur must know.

Fourth place belonged to patience and stubbornness with 58% of the respondents mentioned it. Both the serial entrepreneurs for the study motion it and Lars Hallén motion that an entrepreneur must have patience and never give up; “Most projects cost three times more than budgeted and take three times longer than predicted”.

With 50% of the respondents mentioning it, being open to coaching places as the fifth most important attribute. An entrepreneur must listen and be perceptive to outside advice according to the interview study. At SU Innovation this is a very important factor and they have it listed as such in their framework of criteria when investing in an entrepreneur or entrepreneurial team.
In 33% of the cases the respondents mention that the entrepreneur should have a vision, and be goal oriented. Robin af Burén at Valbay says that an entrepreneur must have an enormous dedication to fulfill his or her goal.

Education was also mentioned in 33% of the cases. Amin Omani at Serendipity Innovation mentions that education is good and that in the best case an entrepreneur should have two degrees, preferably one in engineering and one in economics.

Other factors that were mentioned more than twice were: ability to work excessive hours, creativity, high performing in previous activities, not being in the middle of life (30-40 years old) and leadership. However According to Per Davisson, a professor of business and entrepreneurship, there are no psychological personal attributes that with significant importance state who will be a successful entrepreneur.
5. Analysis

This chapter will cross reference the literature with the interview study and map the similarities as well as the differences among the two. Some aspects mentioned in the empirical interview study were not found at all in the theoretical material processed. However some aspects clearly exist in both cases. This chapter analyses and map the key factors found from the authors perspective.

5.1 Education

Education was something that appeared in both chapters, there were however some key differences. In the interview study 33% mentioned education as something that enriches entrepreneurs’ skills and competence, one respondent even mentioned engineering education per se. In the literature, education is not in all cases necessarily considered great. Davidsson & Benson (2003) even argues that education is sometimes negatively related entrepreneurship because it discourages risk taking. The majority of the cited literature however argues that education is good but with some deviation. Some argue that only business education is good (Chandler & Jansen, 1992), some emphasize that education towards entrepreneurship is good (Clark et al., 1984) and some that all high education is great (Cooper et al., 1994). Most of the materials from the literature and interview studies give the impression that education is good or great. Therefore it can be argued that education is something that most likely gives an entrepreneur a better chance when starting a business. According to the author it is common knowledge that having a high education in many cases is a recite that the person has the capability to learn new things.

5.2 Experience

There was a clear connection between the literature and the interview study regarding experience. Experience was something that appeared in 75% of the cases in the interview study and should therefore be considered as a factor of great value for entrepreneurs. In the literature several authors confirm this assumption (Ibrahim & Goodwin, 1986; Wetter, 2009). Perhaps Bhide's (2000) statement that many people who start businesses work with something they encountered in their previous employment is a reason why industry experience is important. However considering Chandler & Jansen’s (1992) previously mentioned argument that task similarities from previous employments negatively affect profitability poses an intervention. Perhaps it can be explained through possibly limiting the entrepreneur’s capability to think outside the box.

Many authors also state previous start-up experience as something that really can aid an entrepreneur (Kourilsky, 1977; Chandler & Jansen, 1992; Cooper et al., 1994; Davidsson & Benson, 2003). However looking at the interview study again, several respondents said that experience isn’t always necessary for successful entrepreneurship. But it should then also be taken into consideration that many incubators, as were some of the respondents, recruit directly from universities or colleges.

Another aspect that can be considered is that many college dropouts have in history shown to be very successful. Among them are Larry Page, Henry Ford, Bill Gates, Steve Jobs and Mark Zuckerberg (Micheal, 2009). Experience can thus
be seen as something that increases the chance of funding and something good but not something that is necessary for successful entrepreneurship.

5.3 Manager Competence

In the literature many authors state managerial competence as a key factor in running a successful start-up (Mintzberg & Waters; Wheelen & Hunger, 1989; Ibrahim & Goodwin, 1986; Chandler & Jansen, 1992; Erikson & Nerdrum, 2000; Davidsson & Benson, 2003; Kaplan & Strömberg, 2004). To compare this to the interview study some respondents argue that leadership is a factor an entrepreneur must utilize in order to successfully run a business. Leadership was mentioned to be important from idea to motivating internal and external sales and all the way towards a profitable business. In this case both the theoretical and some of the empirical results point out manager competence or leadership as a great attribute for an entrepreneur to possess.

5.4 Network and Social Competence

According to the interview study the sale skills and the ability to be coached are factors of great importance with 67 and 50 percent of the interviewees mentioning it. Sales are according to the author always important in all businesses on all markets and in all branches. Without sales of some sort there is no service, neither product nor any external funding since no one will know the business exists. The ability to be coached means that the entrepreneur should be able to listen to stakeholders and other important parties and at the same time absorb and utilize their input. These two attributes can be translated into social competence because social skills are necessary to be able to work with other people and to understand their needs. Social competence is of great importance because good relations with stakeholders are necessary for successful entrepreneurship (Ibrahim & Goodwin, 1986). It can also be assumed that people with social competence most likely have a greater social network. This is important because a social network can and should be used within entrepreneurship and it can lead to a higher chance of success (Dunkelberg et al., 1987; Erikson & Nerdrum, 2000; Davidsson & Benson, 2003). Social competence and a big social network is therefore a great attribute among entrepreneurs.

5.5 Time

An interesting factor found a few times in the interview study was the ability to work excessive hours, 33% of the respondents mentioned it. It can be compared with a capacity to put in an intense effort, something that is a must among entrepreneurs (Ibrahim & Goodwin, 1986; MacMillan et al., 1985; Hofer and Sandberg 1987; Schein 1987; Erikson & Nerdrum, 2000). It can be compared to what Lars Hallén, serial entrepreneur, said: “the entrepreneur is the company”. This means that whenever he or she takes time off, the business is taking time off. It is however of common knowledge that business owners often work more than eight hours five days a week. As was also mentioned in the interview study being in the middle of life around 30-40 years old was something negative for an entrepreneur. It can be compared with the possibility to put in excessive hours of work which might not be possible if the entrepreneurs have small children at home.
5.6 Other Significant Factors

There were some significant factors that didn't appear in both the empirical and theoretical material. The most significant was drive, which appeared in 83% of the cases in the interview study. It was however not found in the literature, perhaps because it can be considered an intangible and hard to measure variable. An entrepreneur with great drive never stops and never slows down even during hard times and big setbacks. The entrepreneur works towards his or her goal until attained and does not stop until it is. Drive can however be considered an intangible variable and therefore very hard to measure. The same goes for patience and stubbornness with 50% of the interviewees' mentioning it.

Another reason for this and other variables not mentioned can be because they might not be possible to properly be valued. This conforms to Per Davisson's statement in the interview study regarding psychological personal attributes and how they can't determine whether an entrepreneur is good or bad.

The literature clearly talks about the capability to recognize an opportunity and of its importance (Timmons et al., 1987; Chandler & Jansen, 1992; Erikson & Nerdrum, 2000). This is however not mentioned in the interview study. One reason for this might be that the respondents were almost all from businesses or organizations that deal with entrepreneurs' ideas when they already have formed a plan around it. Another reason could be that opportunity recognition is something hard to measure because different persons may be able to recognize only certain kinds, but well enough, opportunities.

Other factors the literature for the thesis doesn't talk about but were encountered in the interview study are vision, high performing and age.
6. Conclusions & Discussion

This chapter gives clear responses to the research questions and it also contains the authors personal opinions found during the writing of the thesis. To sum it up the optimal factors that clearly enrich an entrepreneur’s ability to create a viable business are stated.

The goal with the thesis was to find possible answers to the research questions that were presented is the first chapter. It should however be pointed out that these answers are based on the thesis and that outside information might improve them.

**Can a business be valued by only regarding human capital attributes?**

This question is hard to answer, one can argue either way. On one hand you can always say that a valuation is possible since there are parameters to be measured and valued. On another hand you might say that it is not possible because accurate results are hard if not impossible to achieve. Accurate results are hard to achieve because different people or firms value different things and they value them differently. Even if there are some attributes that can be agreed on, there are no clear units to measure these in. E.g. firms might possibly argue that manager competence is important and evaluate the entrepreneur using case questions. It will still be in the interviewees opinion the answer is anything from mediocre to amazing. This leads the author to the conclusion that it is possible to value a business by only regarding human capital attributes. However, the valuation might be far from the truth.

**What personal attributes are suitable for an entrepreneur to be successful?**

The concluded factors found most necessary or suitable for an entrepreneur in the thesis were: *education, experience, manager competence, social network, time, drive, patience, stubbornness, and opportunity recognition*. There is however a great doubt if these attributes can be correlated with great entrepreneurship at all times, part because of the same explanation as mentioned in the previous research question answer. But it should also be regarded that these factors might not be accurate due to the small selection of interview subjects. Another reason why these factors might not be possible to validate is that they didn’t appear from all sources and therefore all didn’t form a clear majority neither in the literature nor interview study. One more angle important to review is the fact that these might change over time and might not be accurate in a few years or even inaccurate due to the age of the literature reviewed. Conclusively the question is a typical “million dollar question” and therefore hard if not impossible to answer properly. This final statement is shared with scientist of entrepreneurship Per Davidsson.

The attributes found should however be considered as desirable factors for entrepreneurs to possess. The author concludes that an entrepreneur with one or more of these factors mentioned above will more likely be successful than one that doesn’t possess any or less of them.
7. Reflections & Suggested Further Research

*Looking back at the thesis, this chapter maps the contribution it gives the field of study and the industry as well as lists what research that could fill in the gaps of it.*

Writing the thesis has enriched the author’s knowledge regarding human capital valuation and entrepreneurship theory. Writing the thesis has been a big project and it has given the author deeper skills in project and break down structure work. It has also improved the author’s English and other report writing skills.

As no mappings were found looking at desirable factors that should reside within an entrepreneur this might be the first which specifically aims to map. The thesis does however only talk about the desirable factors but not of the undesirable ones. Therefore a field of study could be the opposite; what factors are undesirable for an entrepreneur to possess? Another way for further research is to evaluate how a factor can be measured, e.g. what is good manager competence and what is the difference from poor. Is it even possible to put units on these and other factors?

The thesis also gives an obvious contribution to the industry of VC and incubators by enlighten the attributes mentioned earlier.

The research questions have been hard to answer properly and have led the author to the conclusion that an accurate valuation is hard. Therefore the author must suggest that valuation is made from more angles than this one if the aim is to have truthful accurate results.
References

Literature


Internet Sources


Interviewees

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<tr>
<th>Name</th>
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<th>Position</th>
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<tr>
<td>Staffan Helgesson</td>
<td>Creandum (VC)</td>
<td>General Partner</td>
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<tr>
<td>Hans Otterling</td>
<td>Northzone (VC)</td>
<td>Risk Capitalist</td>
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<td>Ulf Jonstromer</td>
<td>Brainheart (VC)</td>
<td>Risk Capitalist</td>
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<tr>
<td>Maria Nilsson</td>
<td>Sting (Incubator)</td>
<td>Recruitment and Coaching</td>
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<tr>
<td>Mårit Johansson</td>
<td>KI Science Park (Incubator)</td>
<td>CEO/Incubator Recruitment</td>
</tr>
<tr>
<td>Amin Omrani</td>
<td>Serendipidy Innovation (Incubator)</td>
<td>COO</td>
</tr>
<tr>
<td>Ulf Eriksson</td>
<td>SU Innovation (Incubator)</td>
<td>CEO</td>
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<tr>
<td>Robin af Burén</td>
<td>Valbay (VC)</td>
<td>Relationship Manager</td>
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<tr>
<td>Jerry Wiklund</td>
<td>Attrakta (Recruitment Consultant)</td>
<td>Senior Recruitment Consultant</td>
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<tr>
<td>Per Davidsson</td>
<td>Queensland University of Technology</td>
<td>Professor</td>
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<td>Lars Hallén</td>
<td>Various</td>
<td>Serial-entrepreneur</td>
</tr>
<tr>
<td>Christer Mohlin</td>
<td>Various</td>
<td>Serial-entrepreneur</td>
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Appendices

Basequestions for the Interview Study

(Translated from Swedish to English)

When you look at investing in start-ups do you regard personal factors of those who run the company?

What factors do you analyse?

What attributes should an entrepreneur possess?

Why do you analyse at these attributes?

How do you form questions to find out these attributes?

Do you use any kind of checklist?

How much does previous experience versus other prerequisites matter?

Is the person's birthplace and upbringing conditions in the assessment?

Is the person's age in the assessment?

Is the person's family and marital status in the assessment?

Does it matter if the entrepreneurial team is one, three or seven people?

From an entrepreneurial point of view, which have been your best qualities?

What has been problematic in your life during your entrepreneurship endeavours?
Deliverable for The Hub Stockholm

To: The Hub Stockholm
From: Oscar Grané, Royal Institute of Technology (KTH)

During the spring of 2012 I've conducted research both theoretical and empirical to find key attributes that many successful entrepreneurs possess. This document contain my key findings and will be the base of the questionare I will prepare for your website; http://stockholm.the-hub.net/

As my research has proceeded several attributes that are good to possess for entrepreneurs have been found. The main conclusion has however been that there are no best practice models to describe the psychological attributes best suited for all entrepreneurs. It differs between different occasions and with different personalities and is therefore impossible safely determine. However several attributes that always aid an entrepreneur will be presented below but remember that the gut feeling is always of great importance.

Education
Even if many multibillionare are college drop-outs education is according to my research very important. Education towards business/accounting is something that was very frequently occurring, but also specifically engineering and entrepreneurial education was frequently occurring. Ask for transcripts.

Experience
Many people that come straight from school might be very talended but experience trumps un-experience. Previous entrepreneurial experience was of the highest rank followed by industry related experience. Ask for references and previous endevours.

Manager Competence / Leadership
My reseach clearly state the importance of manager competence. To manage or lead was found as important or very important when you are running your own business. Ask for references, previous experience and how he/she led.

Time, Patience and Stubbornness
An entrepreneur should be able and willing to put an intense effort and work long hours until the work is complete. But especially always be able work since the entrepreneur is the company. Ask how the person plans to have enough time to run the business.

Drive
It was very frequently mentioned in the empirical study that entrepreneurs need drive and motivation to get the job done. This is however hard to find out and your impression is the best guidance here. Trust your gut feeling.

Opportunity Recognition
An entrepreneur should be able to see opportunities where others see dead markets therefore opportunity recognition is important. Ask the entrepreneur why this current business is great to start today.

I hope you've found my findings useful and I am open to answer any enquiry you might have or encounter related to this field.

Sincerely,
Oscar Grané, Stockholm 2/5-2012