The Illusions of Entrepreneurship: The Costly Myths That Entrepreneurs, Investors, and Policy Makers Live By

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There are far more entrepreneurs than most people realize. But the failure rate of new businesses is disappointingly high, and the economic impact of most of them disappointingly low, suggesting that enthusiastic would-be entrepreneurs and their investors all too often operate under a false set of assumptions.

This book shows that the reality of entrepreneurship is decidedly different from the myths that have come to surround it. Scott Shane, a leading expert in entrepreneurial activity in the United States and other countries, draws on the data from extensive research to provide accurate, useful information about who becomes an entrepreneur and why, how businesses are started, which factors lead to success, and which predict a likely failure.

The Illusions of Entrepreneurship is an essential resource for everyone who has dreamed of starting a new business, for investors in start-ups, for policy makers attempting to facilitate the formation and survival of new businesses, and for researchers interested in the economic impact of entrepreneurial activity. Scott Shane offers research-based answers to these questions and many others:

· Why do people start businesses?

· What industries are popular for start-ups?

· How many jobs do new businesses create?

· How do entrepreneurs finance their start-ups?

· What makes some locations and some countries more entrepreneurial than others?

· What are the characteristics of the typical entrepreneur?

· How well does the typical start-up perform?

· What strategies contribute to the survival and profitability of new businesses over time?

The Illusions of Entrepreneurship: The Costly Myths That Entrepreneurs, Investors,

and Policy Makers Live By Details

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Sheyenne says

Pretty useless. This is basically a book of compiled statistics. Lots of repetition that felt like it was trying to take up space. A person could read the last couple of pages of the book to see the conclusions that the author came to, but I felt like even these were faulty and didn't take into account the non-monetary rewards of entrepreneurship. Not worth my time.

Allison says

a little slow to read but very informative. will crush the dreams of anyone optimistic about starting their own small business.

Jake says

Good points in this book. Even though I was skeptical reading it at first, there are some fantastic points to consider. I wasn't on the edge of my seat during the book... and I feel it could have been written with a little more entertainment, but it was nevertheless and interesting read. Short and quick - but I had a hard time looking for time to read with this one.

Vinny says

in process. Not great, but interesting. Good to know the real facts are about start-up businesses. Many communities think they are the answer to economic success, but they are probably only one of many pieces.

Liv says

A lot of good information, but redundant in some areas. Good reading strategy can get you through this book in a matter of a couple hours, while walking away with a great deal of useful information.

Tech Historian says

Wrong from the first page.

Every once in awhile you encounter a book that is flawed from its fundamental premise - this is one of those books - it's wrong from page one.

Scott Shane confuses two different types of entrepreneurship; small business and scalable startups. A small business entrepreneur is someone who is self-employed trying to build and grow a profitable business that can feed his or her family. The U.S. has 5.7 million small businesses (under 500 employees) and over 50% of Americans work in them. The return on investing in these small businesses are low, so capital, if needed is raised from friends/family or traditional bank loans. Small businesses are the heart of Main Street USA.

In contrast, an entrepreneur building a scalable startup is not interested in feeding their family. From day one, their goal is to change the world. They're looking to grow their business to 100's of millions of dollars in revenue and dominate a market or industry. In doing so they need external capital and the size of their opportunity and potential return can attract venture capital. Scalable startups are not found on Main Street. They are concentrated in a few centers of innovation. Silicon Valley, New York, San Diego, Boston, etc.

While they both use the words innovation, startup and entrepreneur - these two groups have very little in common. Their purpose, market size, business model, capital requirements, team, growth rate, etc are radically different.

By combining small business and scalable startups into one category and then trying to analyze them, graph them, plot them, bust myths about them, etc. the author falls victim to the classic "comparing apples and oranges." (Given his work with the Kaufmann Foundation I'm surprised and disappointed.)

I now use this book in my university classes as a perfect example of what happens when you can't tell the difference between small business and scalable startups.

I'll charitably write it off as a book written by academic who's never gotten out of the building.

Eric says

There are people who like to live their lives by comfortable lies. If you are one of them, this book has nothing for you.

There are other people who live by facts, no matter how uncomfortable, and adjust behavior to fit facts and reshape reality that way. If you're one of those, regardless of whether or not you're thinking of getting into business for yourself, this book is for you.

So much of our public policy and culture is built around entrepreneurial myths which are not only wrong but harmful to operate by. This book explains what they are, how they're dangerous, and how we can build a better entrepreneurial landscape, one that more closely resembles the myth and actually benefits society and the world.

Adam Clay?Man says

Quickly.. an absolute must read for Entrepreneurs and Entredonneurs, in any and all lan∆gauges, to avoid the

more needless savages and ravages of time, and find a local market niche to "take between" and "give between" calm?unity provisions, paine points, and needs, that's Wiser than the Negative Norm of Failure.

Please read this Segment by Segment in a Reading Group, reflecting at each together on how the Segment eliminatively affects Your Commercially Assured Life Movement and Busyness Plans, before launching Your next busy-ness. If only this or an even better entrant of this form could be required reading for New Business Formation in Your State, or All States. It could save so many clueless restauranteurs and young technology entrepreneurs from foolhardy ecological failures better undertaken in their 40s or 50s, with deepar skills attained through skilled problem grinding in established commercial lines with durable, transferable attained skills .

No doubt, it serves the State's interests to see and run thru hundreds and thousands and hundreds of thousands of failures, even some of which are done by the naive and untrained, but without this Reading, there is no Conscientious Consent to Entrepreneurship, in the In.der.vie.dual (Individual) Sector of Generally Phase-delayed Philanthropies or in the Social Sector of Instant, More Triple-Bottom-Lined Business Philanthropies. A simple "Driver's License" Exam on these Myths would help enormously to keep students from unnecessarily crashing, and would undoubtedly filter back into the Educational Stack to define the difference between failure-driven, mock-IT-until-You-make-I.T. hopeless (and Hhopeful) n-action for calm??(unity) polity ? policy pursuits in the sphere of commercially contract.ed and compact.ed calm delivery?.

The canary? rate in the Entrepreneurial Calmunity is uncon.scion.ably high, and must be bitterly fought against to keep calm'petition moving forward for those sans hereditary privilege (and those born into unusual hereditary burdens and constructively n-debt.ed burden paths).

My apologies if i sound, over time, like a broken alarm clock on calm?unity. It's a re:current, resonant, periodic, superimposing wave i can't afford to allow going into a force-dampening c.y?cle, even if it leaves me suffering moment by moment under draft.ed and re:current ?ranch'ing imposter syndromes. There's a big gap between where i want to be and where i am, and if i'm required to keep this up, will always be.

Please ?ranch the crux of this reflection out to the ?orlaug Stack.ed Organizations of Wisdom and Knowledge, if You can. Too many people have died in pursuing false Hhopes under Illusions of Entrepreneurship, Indy and Social, outside the Caring Self-Sufficiency of a Right-sized Calm?unity ?TEAM. i fall prey to these delusions myself. While at it, please see, "The Sure Thing", by Gladwell, as well. It's fundamentally T. Successful Entrepreneur ?Teams are Often Exploitative Alpha, Beta, Gamma Predators, with niche-dominating scope.ed skills, of the sort that every Calm?unity needs to create, destroy, and thereby thrive. You may leave "The Sure Thing" thinking of the Entrepreneur not as a risk-taker, but as the most risk-averse of all species. That's rather true, and the systempunk't collapse is carefully plan.ed over generations. So please, if You wish for outrageous, outsized, modest, or motivating capstone fortunes for Your 2nd, 3rd, 5th, or 7th Generation, start Y?our planning in this generation, Grandstudent, for Your own phase as a Grandparent and Grandstudent. It not only takes a ?illage.. frankly, it takes at least a small City, and Generations to Gracefully Calmpetitively Compete against Competition and Calmpetition, in the deep ?, hi-gobbe permanency builds.

A good ?eek, a ?eek of Peace, may? Gladness Rein, and Calm?(t) Increase /
A good ?eek, a ?eek of Peace, may? Gladness Reign, and Joy Increase.

Dustin Allison says

This book was very informative, but way too negative. The author clearly had strong views about the myths associated with entrepreneurship that he shattered with loads of data. The problem I had was was with the myths he labled as commonly held beliefs. As someone who has read a lot about entrepreneurship in the last few months, I was confused by many of the "illusions" the author was debunking. Every book I have read so far talks about how difficult it is to run a successful start-up, and how the great majority of them fail.

It also seemed like the author tailored and tweaked the "illusions" to fit the data he had a available. For instance, the author quotes some business website in Dallas as saying entrepreneurs should be willing to take risks, be self-starters, good salesman and so on. But then goes on to debunk this illusion with data showing that the typical entrepreneur is none of those things. This irked me because I don't think the website was making the claim, or perpetuating the illusion, that the typical entrepreneur has those traits. Rather, I'm fairly certain that the website, and others like it, were listing traits that would help you succeed as an entrepreneur. Now the author does go into what a successful entrepreneur looks like, but largely discounts psychological reasons because, I suspect, he wasn't able to find a way to quantify those kind of traits.

All in all though, this book is full of valuable statistics for the would be entrepreneur. Just don't think statistics tell the whole story like the author does.

Angela says

Surprisingly interesting and easy to understand, given the amount of data and references cited.

I appreciate that the author clearly defines his use of the word 'entrepreneur' up front, as it is different from how I understand that word. (Although I am self-employed, I do not consider myself an entrepreneur - I just happen to work as a contractor rather than an employee.) I suspect this may be where some of the 'myths' come in - perhaps some of them are true for other definitions of 'entrepreneur'.

That quibble aside, this was a very worth-while read.

Ryan says

This book upsets tons of generally held beliefs about entrepreneurship. Scott A. Shane points to credible academic research and data to reveal concepts that if understood more broadly by the average entrepreneur (or "want-to-be" entrepreneur) would either prevent a lot of wasted time & capital or enhance their chances of success. In addition, policy makers could more efficiently provide support towards entrepreneurial activity that produces real economic value.

Any entrepreneur or person interested in working with, supporting, or following entrepreneurial activity will gain a lot of great information from this book.

Jerry says

A great book summarizing a lot of data about entrepreneurship. It is more of an academic "in your head" kind of a book than a "how to" book.I would recommend it for people who advise small businesses or want to understand them.

It doesn't really mention the Pareto principle, but that principle is definitely at work winnowing down the entrepreneurs.

"How many people have to try to start a business to have one company that employees anyone ten years later? The answer: 43. Estimates show that only about one-third of all start-up efforts result in creation of a new firm... But because just under one-fourth of firms (24%) employ anyone, we need 12.5 people to try to start a new firm to get one new firm that employees anyone. Carrying this further, only 29% of new employer firms live ten years, and so 43.1 start-up efforts are needed today to have one firm that employees anyone ten years from now. And how many jobs will that start-up have, on average, ten years after it was founded? The answer is 9."

Here are some of the "Busted Myths" the author discusses:
"America isn't becoming a more entrepreneurial place; the rate at which start-ups are created in this country is actually declining over time."
"Most new businesses are not started in glitzy, high-tech industries but rather in a few subsectors of pretty mundane, run-of-the-mill industries."
"Most entrepreneurs don't select the most profitable industries but instead pick industries with the highest firm failure rates."
"Entrepreneurs don't select industries because they are good for start-ups but rather because they know these industries and because it is easy to start businesses in them."
"The typical entrepreneur doesn't start a business because of a desire to make money, for the thrill of starting businesses, to support their families, or to become well known; the typical entrepreneur starts a business because he doesn't like working for someone else."
"The characteristics that make people more likely to start businesses aren't all desirable; people are more likely to go into business for themselves if they are unemployed, work part-time, have changed jobs often, and make less money."
"Entrepreneurship is not a young person's game; middle-aged people are more likely than anyone else to be entrepreneurs."
"Immigrants are not more likely than the native born to start their own businesses."
"It doesn't take a lot of money to start a business; the typical new business established in the United States takes less than $25,000 in initial capital."
"Most founders don't get money from others; the most common source of capital for a new business is the founder's savings."
"Banks do lend money to new businesses; the most common source of debt for new businesses is commercial banks."
"Most start-ups do not succeed; the typical entrepreneur forms a business that is gone within five years and views his effort to start that company as unsuccessful."
"The typical entrepreneur earns less money than he would have earned had he worked for someone else and has worse job benefits."
"Investing a dollar or an hour of time in the creation of an average new business is a worse use of resources

than investing the same resources in the expansion of an average existing business."

Austin Storm says

In the beginning the framing device of the book bothered me, because some of the 'myths' seemed a little easy. The book was worth it for chapters 6 and 7. Still, probably more interesting to people who want to /talk/ about entrepreneurship rather than to people who want to do it themselves.

JP says

This book is concise and surprisingly readable, especially when you consider it's a synopsis of academic findings. Professor Shane summarizes and then dispels the common myths about business. His logic should be considered to inform business development policies - and in most cases the rationale for pursuing them in the first place.

Paul says

Not bad. Bottom line - small businesses are not a good idea for average people. Most small businessmen fail and are unhappy. Popular discourse is overly influenced by the legends of Bill Gates and Silicon Valley start-up titans. Most people are, quite frankly, not cut out for this kind of entrepreneurial glory. We should face this fact and stop creating polices that encourage all people to start small local businesses.

Not sure if I fully agree, but it's a good, well-researched critique.