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ANALYSIS OF "BALANCED SKILLS AND ENTREPRENEURSHIP"[1]

This article describes and attempts to prove that entrepreneurs tend to have a more generalized and diverse skill set as compared to specialists (non-entrepreneurs) because entrepreneurs are only as good as their weakest link but specialists are only as good as their specialty. This theory goes against the school of thought that states "that entrepreneurs are technical specialists who base their new companies on innovation."

The article also claims and attempts to prove that "entrepreneurs are nontechnical people who form business in nontechnical fields." The article attempts to prove this by showing that the highest percentage occupation of entrepreneurs is "Other executive, administrative and managerial" that "are found primarily in construction, retail trade, and professional services."

The article finally claims and attempts to prove that those Stanford Graduate School of Business alumni who went on to be entrepreneurs tended to take more generalized classes while at Stanford. By proving this, the article is able to conclude "that individuals who go on to become entrepreneurs should have a more generalized human-capital investment strategy," that is, those who want to become entrepreneurs should take a more liberal suite of human-capital courses while in college.

Usefulness of Article

The article is useful for many reasons. Its ability to articulate the reasoning behind why entrepreneurs need diverse skill sets in contrast to specialists explains why entrepreneurs tend to be so well rounded. It also breaks the myth that implies that entrepreneurs are

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[1] Balanced Skills and Entrepreneurship. Edward P Lazear. The American Economic Review. Nashville: May 2004. Vol. 94, Iss. 2; pg. 208 [0002-8282]

merely specialistic technical innovators. The empirical analysis included proves statistically that those who took more diversified classes while in college were more likely to become entrepreneurs.

This can be inspirational to college students who wish to become entrepreneurs as it can give insight into their class selections, particularly by encouraging them to select classes in fields they are challenged in. Because - according to the article - entrepreneurs are only as good as their weakest link, students should make an effort not to pursue classes that they can easily get A's in but to instead pursue classes that would challenge them enough that they would come out of the classes more skilled in the classes' subjects even at the expense of a few B's.

The theoretical functions where the income of specialists is based on a max function and the income of entrepreneurs is based on a min function show an interesting difference in where specialists and entrepreneurs should invest their time in learning. For the entrepreneur, he or she should place his or her time in learning about whatever things he or she is weakest in that is relevant to the human capital required of being an entrepreneur. For the specialist, or non-entrepreneur, he or she should focus on his or her best or near-best talent, to best compete against other specialists in the same field.

The example in the article about how entrepreneurs tend to be generalist by means of their industry specialty is also of interest. That most of the entrepreneurs fit into the " Other executive, administrative and managerial" occupational field highlights this the most. These entrepreneurs of "construction, retail trade, and professional services" make up the highest percentage of entrepreneurs according to the survey referenced by the article, which goes against the notion in Silicon Valley that entrepreneurs are merely limited to Web 2.0 and Biotech companies with high specialty and innovation needs.

Also, the data from the Stanford Graduate School of Business alumni proves useful in that it shows in a variable labeled "SPECIAL" that those who have ever been entrepreneurs

had tended to take a more diversified array of classes - that the number of classes taken on the same subject tended to be lower.

Finally, the article comments on how "entrepreneurs also take on a variety or files after they enter the labor market." This shows that it is not just in the diversification of classes taken while in school, but the diversification of jobs taken before and concurrent with being an entrepreneur. This generalizes the notion that those who go on to becoming hopefully successful entrepreneurs had to first take their weakest talents and improve upon them until all their relevant human capital talents were sufficiently high to become an entrepreneur.

Limitations of Article

While the article definitely articulates well the fact that entrepreneurs are only as good as their weakest link whereas specialists are only as good as their strongest, the article does not attempt to directly convince its audience of any particular suggested action.

It is unclear whether the author is claiming mere correlation or causality. For example, would someone aspiring to become an entrepreneur do well to force themselves to take classes in human capital skills that they would need to become entrepreneurs, or is there something else perhaps more important or innate that is needed to become an entrepreneur? Furthermore, did the alumni who took more diversified classes knowingly do so, to become entrepreneurs, or was becoming entrepreneurs a mere likelihood as a result of innocently taking diversified classes? Does intentionally taking diversified classes compromise the goal to become an entrepreneur in any way? How does bias in wanting to become an entrepreneur come to play when choosing classes?

Table 3 is of most concern. The mathematical premise of it seems convoluted and obscure. It is difficult to determine what it is the table is trying to describe. Perhaps the use of Logits and Tobits is of some statistical system unknown to the average undergraduate

student. In any case, it appears sound and may be of use to those who can understand its meaning.

The assumption that many would consider entrepreneurs to be mere technical innovators is also locale-specific. As it is believed the author of the article to be located in Silicon Valley, as they are connected to Stanford University in Northern California, it can be presumed that the author is referring to a notion commonplace in Silicon Valley that entrepreneurs are merely technical innovators. However, it is unknown whether this view is widely held outside Silicon Valley. In the United States as a whole, it is believed that most would view entrepreneurship with business human capital skills, not mere technical skills. Entrepreneurs in the United States as a whole and perhaps globally are ultimately innovators in maximizing on all their human capital skills, not just their technical ones. For example, Warren Buffet isn't particularly technically inclined and he is one of the most wealthiest entrepreneurs in the United States. In any case, this article is useful for those who may think otherwise in Silicon Valley and in other highly technical regions around the world.

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