Entrepreneurial Peer Effects

David Abraham (LBS), Andrea Galeotti (LBS), and Adam Szeidl (CEU)

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This paper

- Understanding of the origin of entrepreneurship
- Focus on the effect of exposure to peers with entrepreneurial experience on creating new entrepreneurs.
- Document possible mechanisms behind these peer-effects:
  - Acquiring entrepreneurial social and human capital

Data

- LBS data on MBA cohorts graduating in 2014 through 2022
  - Individual characteristics including pre-MBA jobs
    - ★ Pre-MBA entrepreneur students
  - MBA-exit job outcomes
    - ★ Post-MBA entrepreneur students
  - Courses taken
    - ★ Enrolment in entrepreneurship electives
  - Student clubs
    - ★ Registration for Entrepreneurship Club events

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- LinkedIn profiles: digital footprint of entrepreneur students
- Pitchbook company pages: accomplished entrepreneur students

Cohort characteristics

	2014	2015	2016	2017	2018	2019	2020	2021	2022
MBA (n)									
Total cohort size	395	404	407	413	420	428	482	491	525
Average stream size	79.1	81.1	81.5	82.7	84.0	85.7	80.4	81.9	87.5
Entrepreneurs (n)									
Pre-MBA	8	9	5	8	14	9	10	16	11
Post-MBA	19	22	12	13	25	24	22	28	24
Aspiring	48	56	50	22	53	36	45	45	39
Industries $(\%)$									
Consulting	21.3	23.8	20.4	25.4	21.7	25.0	21.8	25.9	22.7
Finance	28.4	18.8	25.1	21.8	22.4	19.2	18.7	21.2	17.3
Tech	2.3	2.2	2.5	1.2	3.6	1.9	3.9	1.8	2.9
Other	48.1	55.2	52.1	51.6	52.4	54.0	55.6	51.1	57.1
Nationalities $(\%)$									
Asian	27.1	30.0	27.5	29.5	28.8	31.3	31.1	31.8	31.8
European	35.9	36.9	35.1	34.6	33.6	27.8	24.5	29.3	27.6
North American	16.5	18.8	18.4	17.7	19.0	22.9	24.9	20.2	20.0
Other	20.5	14.4	18.9	18.2	18.6	18.0	19.5	18.7	20.6
Characteristics									
Male $(\%)$	66.6	68.1	63.4	63.2	64.8	61.4	60.2	62.5	64.2
Native English speaker $(\%)$	35.2	40.3	38.6	33.2	44.0	43.0	42.5	38.7	40.4
Average age $(\overline{x})$	29.0	29.1	29.0	28.8	28.6	28.7	29.0	28.7	28.8
Qualifications $(\overline{x})$									
Average GMAT score	699	695	700	699	707	705	705	694	697
Average years of experience	5.5	5.5	5.4	5.2	5.3	5.3	5.5	5.4	5.5

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- **Approach:** exploit variation in the share of stream peers who are pre-MBA entrepreneurs to identify its effect on
  - Becoming an entrepreneur post-MBA
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  - Registering for Entrepreneurship Club events
- Focus on a 'core sample' of students for whom we have complete outcome and stratification data ▷

Outline

- Definition and balance tests
- Peer effects estimates
- Literature

Pre-MBA entrepreneur definitions

- **Pre-MBA entrepreneurs** submitted to the school a job:
  - where the title included the words ‘founded’ or ‘founder’
  - and was active within one year of starting the MBA programme

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- Pre-MBA entrepreneurs **with a digital footprint and accomplished** are:
  - pre-MBA entrepreneurs with a digital footprint
  - and the business they founded has a Pitchbook company page

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- **Post-MBA entrepreneurs** reported to LBS:
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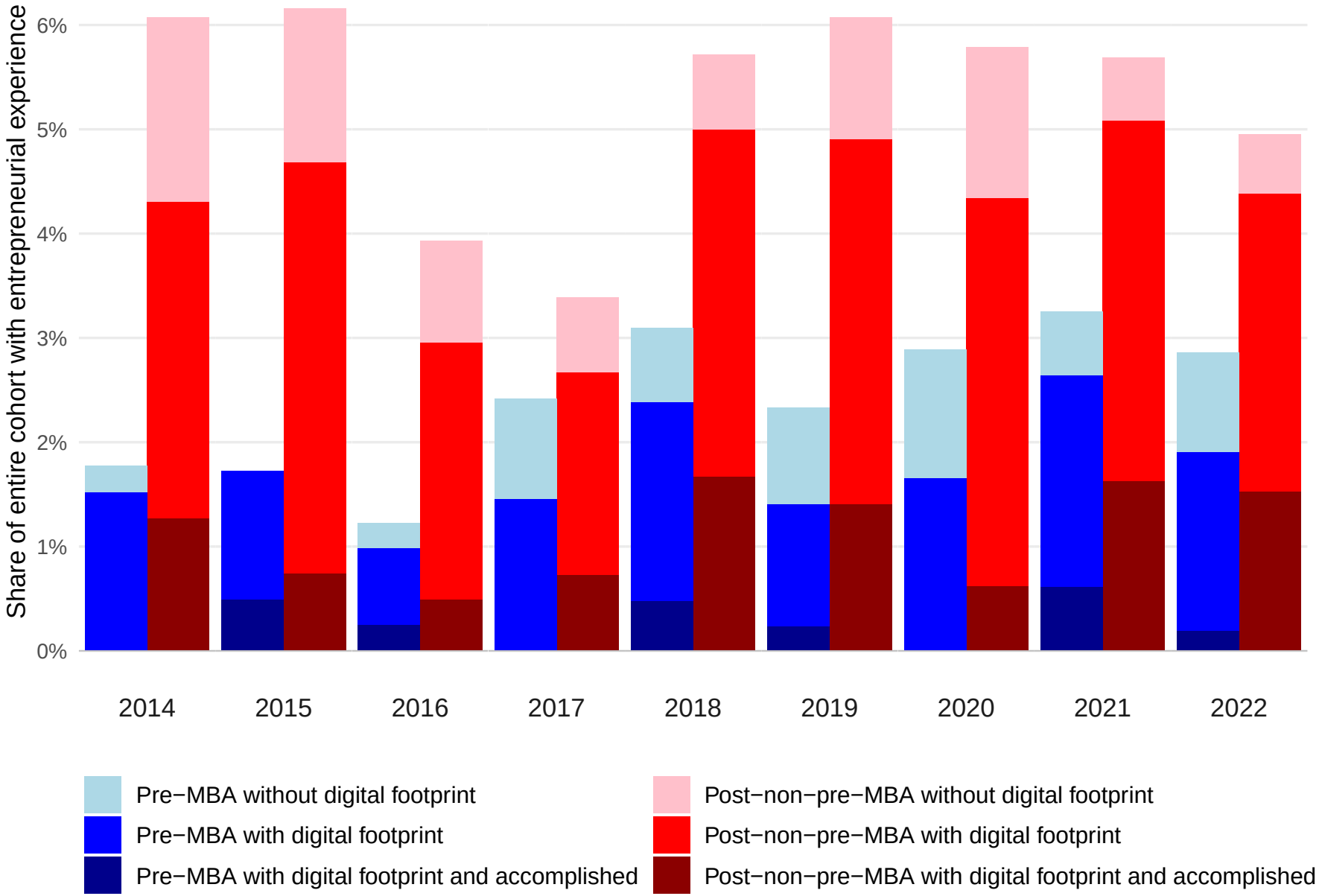
Pre-and-post MBA entrepreneurs cohort shares



Quasi-randomness tests

Regress pre-determined characteristics used for stratification on the share of stream peers who were pre-MBA entrepreneurs

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	Peer share of ...					
Dependent variable	Pre-MBA entrepreneurs (103)		Entrepreneurs without footprint (30)		Entrepreneurs with footprint (73)	
Pre-MBA entrepreneur†	−0.068	(0.191)	0.065	(0.203)	−0.108	(0.237)
Aspiring entrepreneur†	−0.101	(0.282)	0.369	(0.545)	−0.337	(0.306)
Worked in consulting	−0.060	(0.282)	−0.457	(0.596)	0.145	(0.254)
Worked in finance	−0.026	(0.275)	−0.387	(0.485)	0.158	(0.289)
Asian nationality	−0.144	(0.138)	−0.105	(0.307)	−0.158	(0.161)
European nationality	−0.063	(0.101)	0.137	(0.236)	−0.162	(0.124)
North American nationality	−0.098	(0.125)	−0.055	(0.294)	−0.116	(0.114)
Male	−0.385	(0.172)**	−0.599	(0.264)**	−0.263	(0.207)
Native English speaker	0.188	(0.194)	0.437	(0.330)	0.055	(0.171)
Age above cohort average	0.234	(0.272)	0.947	(0.389)**	−0.138	(0.342)
GMAT above cohort average	0.240	(0.404)	0.904	(0.641)	−0.106	(0.426)
Experience above cohort average	−0.659	(0.252)***	−0.820	(0.391)**	−0.554	(0.376)

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

† Not stratification criterion, but are included along with them as regression controls

Peer effects on entrepreneurship (1/2)

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Panel A: Peer share of ...	Post-MBA entrepreneur (1)	Without footprint (2)	With footprint (3)	Footprint & not accomplished (4)	Footprint & accomplished (5)
Pre-MBA entrepreneurs	−0.188	−0.047	−0.140	−0.049	−0.091
	(0.177)	(0.065)	(0.183)	(0.143)	(0.129)
R^2	0.076	0.017	0.067	0.044	0.030
Observations	3,437	3,437	3,437	3,437	3,437
Number of entrepreneurs	200	44	156	111	45
Stratification controls	Yes	Yes	Yes	Yes	Yes
Cohort fixed effects	Yes	Yes	Yes	Yes	Yes

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

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Panel B: Peer share of ...	(6)	(7)	(8)	(9)	(10)
Entrepreneurs without footprint	−1.022***	0.061	−1.083***	−0.751***	−0.331**
	(0.251)	(0.117)	(0.250)	(0.202)	(0.153)
Entrepreneurs with footprint	0.228	−0.101	0.330**	0.301**	0.029
	(0.140)	(0.067)	(0.143)	(0.151)	(0.147)
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Panel C: Peer share of ...	(11)	(12)	(13)	(14)	(15)
Entrepreneurs without footprint	−0.981***	0.085	−1.066***	−0.735***	−0.331**
	(0.251)	(0.124)	(0.248)	(0.202)	(0.156)
Entrepreneurs with footprint & not accomplished	0.113	−0.169**	0.282*	0.254*	0.028
	(0.144)	(0.074)	(0.149)	(0.149)	(0.142)
Entrepreneurs with footprint & accomplished	1.358***	0.561**	0.797**	0.758**	0.039
	(0.470)	(0.286)	(0.374)	(0.343)	(0.347)
R^2	0.079	0.018	0.071	0.048	0.031
Observations	3,437	3,437	3,437	3,437	3,437
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Stratification controls	Yes	Yes	Yes	Yes	Yes
Cohort fixed effects	Yes	Yes	Yes	Yes	Yes

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Peer effects on entrepreneurship (2/2)

	Post-MBA entrepreneur with footprint			
	Within 90 days	Within 1 year	Within 2 years	Within 3 years
Panel A: Peer share of ...	(1)	(2)	(3)	(4)
Pre-MBA entrepreneurs	−0.140	−0.084	−0.001	−0.037
	(0.183)	(0.191)	(0.201)	(0.231)
R^2	0.067	0.085	0.097	0.106
Panel B: Peer share of ...	(5)	(6)	(7)	(8)
Entrepreneurs without footprint	−1.083***	−0.956***	−0.959***	−1.066***
	(0.250)	(0.351)	(0.357)	(0.409)
Entrepreneurs with footprint	0.330**	0.351**	0.477***	0.476**
	(0.143)	(0.159)	(0.158)	(0.187)
R^2	0.071	0.087	0.099	0.109
Panel C: Peer share of ...	(9)	(10)	(11)	(12)
Entrepreneurs without footprint	−1.066***	−0.909***	−0.911***	−1.006***
	(0.248)	(0.342)	(0.343)	(0.390)
Entrepreneurs with footprint & not accomplished	0.282*	0.220	0.341*	0.307
	(0.149)	(0.164)	(0.176)	(0.232)
Entrepreneurs with footprint & accomplished	0.797**	1.639***	1.811***	2.133***
	(0.374)	(0.417)	(0.531)	(0.711)
R^2	0.071	0.088	0.100	0.110
Observations	3,437	3,437	3,437	3,437
Number of entrepreneurs	156	225	260	294
Stratification controls	Yes	Yes	Yes	Yes
Cohort fixed effects	Yes	Yes	Yes	Yes

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

Contribution

- Pre-MBA entrepreneurs without a digital footprint ("low quality/unsuccessful") discourage new entrepreneurship
  - One SD increase in pre-MBA entrepreneurs without a digital footprint 'destroys one' post-non-pre-MBA entrepreneur ▷

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  - One SD increase in pre-MBA entrepreneurs with digital footprint 'creates half' a post-non-pre-MBA entrepreneur ▷
- These effects hold even when the outcome variable is successful entrepreneurship
- Implication: low quality/unsuccessful entrepreneurs destroy valuable entrepreneurship

Peer effects on human and social capital

- We focus on registrations for events held by the student-run Entrepreneurship Club
- We focus on electives providing entrepreneurship training

Peer effects on human and social capital

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	Entrepreneurship Club events
Panel A: absolute number	(1)
Peer share of entrepreneurs without footprint	-12.478^{**}
	(5.782)
Peer share of entrepreneurs with footprint	8.802^{**}
	(3.479)
R^2	0.366
Panel B: share of total	(2)
Peer share of entrepreneurs without footprint	-0.254^{***}
	(0.090)
Peer share of entrepreneurs with footprint	0.105^{**}
	(0.054)
R^2	0.372
Observations	3,437
Stratification controls	Yes
Cohort fixed effects	Yes

Notes: SE stream-clustered; $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$.

Peer effects on human and social capital

	Entrepreneurship Club events	Entrepreneurship electives taken
Panel A: absolute number	(1)	(3)
Peer share of entrepreneurs without footprint	-12.478^{**}	-3.096^{***}
	(5.782)	(1.164)
Peer share of entrepreneurs with footprint	8.802^{**}	1.837^{*}
	(3.479)	(0.992)
R^2	0.366	0.492
Panel B: share of total	(2)	(4)
Peer share of entrepreneurs without footprint	-0.254^{***}	-0.301^{***}
	(0.090)	(0.101)
Peer share of entrepreneurs with footprint	0.105^{**}	0.148^{*}
	(0.054)	(0.080)
R^2	0.372	0.495
Observations	3,437	3,437
Stratification controls	Yes	Yes
Cohort fixed effects	Yes	Yes

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

Contribution

- Pre-MBA entrepreneurs without a digital footprint ("low quality/unsuccessful") discourage new entrepreneurship
- Pre-MBA entrepreneurs with a digital footprint ("high quality/successful") encourage new entrepreneurship
- These effects hold even when the outcome variable is successful entrepreneurship
- Implication: low quality/unsuccessful entrepreneurs destroy valuable entrepreneurship
- **Entrepreneur peers without a digital footprint discourage acquisition of human and social capital**
- **Entrepreneur peers with a digital footprint encourage acquisition of human and social capital** Events Electives

Peer effects across gender (1/2)

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	Post-MBA entrepreneur	Entrepreneurship Club events	Entrepreneurship electives taken
	(1)	(2)	(3)
Peer share of entrepreneurs without footprint × Female	−0.877***	−9.251	−6.542***
	(0.294)	(7.321)	(2.335)
Peer share of entrepreneurs without footprint × Male	−1.199***	−14.302**	−1.178
	(0.324)	(6.428)	(1.320)
Peer share of entrepreneurs with footprint × Female	0.159	6.185	0.312
	(0.274)	(6.874)	(1.808)
Peer share of entrepreneurs with footprint × Male	0.435*	10.425***	2.732**
	(0.240)	(3.805)	(1.103)
Without-equal (F-stat.)	0.478	0.388	0.255
With-equal (F-stat.)	0.334	3.372*	1.171
R^2	0.071	0.366	0.493
Observations	3,437	3,437	3,437
Stratification controls	Yes	Yes	Yes
Cohort fixed effects	Yes	Yes	Yes

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

Peer effects across gender (2/2)

	Post-MBA entrepreneur (1)	Entrepreneurship Club events (2)	Entrepreneurship electives taken (3)
Peer share of entrepreneurs without footprint and female	-1.062^{**}	-11.998	-7.002^{***}
	(0.430)	(10.393)	(2.083)
Peer share of entrepreneurs without footprint and male	-1.093^{***}	-11.974	-0.508
	(0.276)	(8.461)	(1.575)
Peer share of entrepreneurs with footprint and female	0.337	14.499^{*}	5.381^{***}
	(0.286)	(7.672)	(1.545)
Peer share of entrepreneurs with footprint and male	0.324^{*}	5.977	0.433
	(0.184)	(4.004)	(1.087)
Without-equal (F-stat.)	0.002	0.001	0.0001
With-equal (F-stat.)	0.790	3.368^{*}	3.087^{*}
R^2	0.071	0.366	0.493
Observations	3,437	3,437	3,437
Stratification controls	Yes	Yes	Yes
Cohort fixed effects	Yes	Yes	Yes

Notes: standard errors are stream-clustered; *p<0.1; **p<0.05; ***p<0.01.

Peer effects and aspiration

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	Post-MBA entrepreneur	Entrepreneurship Club events	Entrepreneurship electives taken
	(1)	(2)	(3)
Peer share of entrepreneurs without footprint × Aspire	−1.776	30.237	5.046
	(1.669)	(26.992)	(7.799)
Peer share of entrepreneurs without footprint × Not	−1.054***	−15.640***	−3.624***
	(0.231)	(4.957)	(1.075)
Peer share of entrepreneurs with footprint × Aspire	1.383	5.325	−2.091
	(1.061)	(13.200)	(4.473)
Peer share of entrepreneurs with footprint × Not	0.244*	8.752**	2.110**
	(0.146)	(3.449)	(1.054)
Aspiring entrepreneur	0.068**	1.558***	0.632***
	(0.031)	(0.413)	(0.163)
Without-equal (F-stat.)	0.204	0.824	3.891**
With-equal (F-stat.)	0.046	1.581	0.896
R^2	0.071	0.367	0.493
Observations	3,437	3,437	3,437
Stratification controls	Yes	Yes	Yes
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- These effects hold even when the outcome variable is successful entrepreneurship
- Implication: low quality/unsuccessful entrepreneurs destroy valuable entrepreneurship
- Entrepreneur peers without a digital footprint discourage acquisition of human and social capital
- Entrepreneur peers with a digital footprint encourage acquisition of human and social capital
- **These effects are within and across genders**
- **These effects are for students entering the programme without a specific aspiration to entrepreneurship**

Work in progress: seating charts

- First six months students follow only core courses in their stream
  - Seating charts created by the programme office at the start
  - Students allocated at random under some constrains
- Currently creating a dataset from seating chart PDFs
- We will use proximity in the classroom to estimate entrepreneurial peer effects

Literature

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- Differences: individual level-data
  - Successful vs. unsuccessful entrepreneurs peers
  - Evidence of channels

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- Differences: individual level-data
  - Successful vs. unsuccessful entrepreneurs peers
  - Evidence of channels
- Bell et al. (2019): exposure to innovation in early life promotes innovativeness in adulthood; misallocation of talent
- We focus on entrepreneurship exposure across mid-career business students: well managed peer interventions for young adults could harness some of that currently under-utilised talent

Conclusion

- Unsuccessful (successful) entrepreneur-peers discourage (encourages) post-MBA entrepreneurship
- These effects hold even when the outcome is successful post-MBA entrepreneurship
- Implication: unsuccessful entrepreneur-peers destroy value
- Consistently, unsuccessful (successful) entrepreneur-peers discourage (encourages) acquisition of human and social capital
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Thank you!

Additional details: stratification process

LBS stratifies the incoming MBA class using the following steps:

1. Assign students randomly to five streams
2. Adjust allocation so stream averages for gender ratio, geographic region split, share of native English speakers, age, GMAT scores, and years of (work) experience align with cohort averages
3. Apply within each stream a ranked set of rules to construct study groups of five or six students:
   - Rules are categorised into areas covering gender, region, language, age, GMAT scores, years of (work) experience, and professional experience industry
   - They involve quotas, e.g. minimum of two females, and limits on group average deviations from stream averages
4. Reassign students manually to streams/study groups to satisfy as many rules as possible

Back to additional details

Additional details: core sample

We construct a 'core sample' of students who ...

- graduated between 2014 and 2022 $(3,965)$
- reported at least one job to LBS within 90 days of graduation $(3,965 \rightarrow 3,921)$
- posted at least one employment experience on LinkedIn $(3,921 \rightarrow 3,664)$
- have data for all characteristics used for the stream allocation, e.g. birth date, GMAT score, etc. $(3,664 \rightarrow 3,540)$
- were not pre-MBA entrepreneurs $(3,540 \rightarrow 3,437)$

Back to additional details

Peer effect of entrepreneurs without footprint

In order to predict the tangible impact of the entrepreneurial peer effects, we can compute the following stream-level statistics:

- Average number of post-non-pre-MBA entrepreneurs is $a = 2.9$
- Average number of non-pre-MBA entrepreneurs is $b = 71.6$
- Average number of pre-MBA entrepreneurs without footprint is $c = 0.6$
- Standard deviation of pre-MBA entrepreneurs without footprint is $d = 0.9$
- Probability of a non-pre-MBA entrepreneur becoming a post-MBA entrepreneur is $p := a/b = 4.1\%$
- One standard deviation increase in a stream corresponds to a change of $q := d/(b + c) = 1.2\%$
- Coefficient for entrepreneurs without footprint is $\beta = -1.1$

Therefore, the predicted decrease in post-non-pre-MBA entrepreneurs is computed as $(b - d) \times (p + q \times \beta) - a = -1.0$ (-33%).

Back to contribution

Peer effect of entrepreneurs with footprint

In order to predict the tangible impact of the entrepreneurial peer effects, we can compute the following stream-level statistics:

- Average number of post-non-pre-MBA entrepreneurs is $a = 2.9$
- Average number of non-pre-MBA entrepreneurs is $b = 71.6$
- Average number of pre-MBA entrepreneurs with footprint is $c = 0.6$
- Standard deviation of pre-MBA entrepreneurs with footprint is $d = 1.3$
- Probability of a non-pre-MBA entrepreneur becoming a post-MBA entrepreneur is $p := a/b = 4.1\%$
- One standard deviation increase in a stream corresponds to a change of $q := d/(b + c) = 1.8\%$
- Coefficient for entrepreneurs with footprint is $\beta = 0.3$

Therefore, the predicted increase in post-non-pre-MBA entrepreneurs is computed as $(b - d) \times (p + q \times \beta) - a = 0.4$ $(+14\%)$.

Back to contribution

Peer effects on Entrepreneurship Club events

In order to predict the tangible impact of the entrepreneurial peer effects, we can compute the following stream-level statistics:

- Average number of Entrepreneurship Club events for non-pre-MBA entrepreneurs is $a = 2.1$
- Average number of non-pre-MBA entrepreneurs is $b = 71.6$
- Average number of footprint (no-digital) is $c = 0.6$ (0.6)
- Standard deviation of footprint (no-digital) is $d = 1.3$ (0.9)
- One standard deviation increase in footprint (no-digital) in a stream corresponds to a change of $q := d/(b+c) = 1.8\%$ (1.2%)
- Coefficient for entrepreneurs with footprint (no-digital) is $\beta = 8.8$ (-12.5)

Therefore, the predicted increase (decrease) in the number of Entrepreneurship Club events can be computed as $(b-d) \times (a + q \times \beta) - (a \times b) = 8.2$ (-12.7). Back to contribution

Peer effects on entrepreneurship electives taken

In order to predict the tangible impact of the entrepreneurial peer effects, we can compute the following stream-level statistics:

- Average number of entrepreneurship electives taken for non-pre-MBA entrepreneurs is $a = 1.0$
- Average number of non-pre-MBA entrepreneurs is $b = 71.6$
- Average number of footprint (no-digital) is $c = 0.6$ (0.6)
- Standard deviation of footprint (no-digital) is $d = 1.3$ (0.9)
- One standard deviation increase in footprint (no-digital) in a stream corresponds to a change of $q := d/(b+c) = 1.8\%$ (1.2%)
- Coefficient for entrepreneurs with footprint (no-digital) is $\beta = 1.8$ (-3.1)

Therefore, the predicted increase (decrease) in the number of entrepreneurship electives taken can be computed as $(b-d) \times (a + q \times \beta) - (a \times b) = 1.0$ (-3.6). Back to contribution

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