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Do Entrepreneurs Take More Risks?

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Dr. Elisabeth Paté-Cornell, department chair of Management Science and Engineering at Stanford University, wonders aloud whether entrepreneurs actually take that much risk. She explains that in the United States, venture capitalists take a lot of calculated risk by backing budding start-ups, while in Europe, bankers, acting in the same role, are not. Entrepreneurs usually start with a technical idea for a company and surround themselves with a great team of managers and technicians. Indeed, the success of risk-taking boils down to a single factor: the ability to build teams and cultivate many skills.



Transcript

You know the fact is that I do not know if entrepreneurs really take that many risks. What I have seen it's - let me start. Bank entrepreneurs is the banking system, the financing system. What is clear to me is that in this country, the venture capitalists take a lot of risks. And that I have seen and they generally have a pretty good idea of where they are going with this one. In Europe, it's bankers, and they are not willing to take the same level of risks. It's an entirely different world. Now, but entrepreneurs themselves generally, very often, they start with an idea, a technical idea. And I think part of the success is to make sure that they have a great team with them and it's not only the technical part that dominates that small company, but also of course, the management part and to have good managers and good technicians together. And I think that's what the success of their risk-taking and their willingness to take risks, and the willingness of the venture capitalist to be behind them is to have teams.

So perhaps it is that the first requirement for good entrepreneurs is to be team-builders, and teams often - builders with many talents, the management part, the technical part, and selling the thing, because after all, without the market, you are not going very far.