
THE CORRIDOR

PRINCIPLE

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EXECUTIVE SUMMARY

This article discusses how many entrepreneurs create multiple ventures, and thereby apparently lengthen the duration of their entrepreneurial careers. A new concept, called the Corridor Principle, is proposed as a possible explanation of the multiple venture phenomenon. The Corridor Principle states that the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture.

The Corridor Principle presents an alternative model to the linear single venture career model, embodied by such celebrity entrepreneurs as Ray Kroc of MacDonald's and Kenneth Olsen of Digital Equipment Corp. Six hypotheses test expectations about the timing and duration of entrepreneurial careers, as well as the relationship between entrepreneurial career length and the creation of multiple ventures.

The findings strongly support:

- *the position that entrepreneurship is a dynamic, multi-venture process for a great many entrepreneurs the rule, rather than the exception.*
- *the existence of a positive correlation between finding at least a second venture and realizing a longer entrepreneurial career. Though there are a variety of explanations for this, and the patterns include both sequential and overlapping ventures, the net effect of creating multiple ventures appears to produce a longer entrepreneurial career.*
- *the position that significant numbers of entrepreneurs create their second venture very early in their entrepreneurial careers especially when contrasted to the group of ex-entrepreneurs, who create multiple ventures (if at all) at a slower rate and later in their careers.*

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Overall, these observations reinforce the notion of the Corridor Principle. Though who can and cannot take advantage of the Corridor Principle is not entirely revealed by the data, some indication exists that an entrepreneur's ability to use Corridor Principle strategy to prolong his or her career is related both to age at startup, and to conscious anticipation and preparation for an entrepreneurial career.

The main implications for entrepreneurship practitioners, advisors, researchers, teachers and students are these:

Whether studying the entrepreneurial process or planning to start an entrepreneurial career, a long-term view should be taken, one that includes the likely possibility of multiple ventures.

The minimum economic returns of earlier ventures can be lower than previously thought if these ventures provide entry to subsequent ventures that possess higher (more acceptable) returns to the entrepreneur. The evidence thus far available indicates that the creation of subsequent ventures occurs relatively quickly when corridors of opportunity become visible and attainable after earlier ventures are established.

The likelihood of career failure, as opposed to venture failure, may be lowered if one selects earlier ventures based on their potential to reveal follow-on-venture opportunities that the entrepreneur can investigate and possibly pursue.

INTRODUCTION: ENTREPRENEURSHIPS SINGLE VENTURE MYOPIA

The prevailing view of entrepreneurship is a venture stage notion. It is a linear model that assumes a venture has a prestart-up period, a start-up phase, followed by poststart-up phase that may, or may not include the founding entrepreneur(s). It assumes further that the majority of successful entrepreneurs start and develop a single venture during their mid-thirties and pursue this venture until they die, retire (usually forced), or somehow give or lose control to professional managers. Some examples of entrepreneurs who pursued single venture careers are Ken Olsen of DEC, Ray Kroc of McDonalds, L. L. Bean of L. L. Bean, Sorichio Honda of Honda Motors and Frank Perdue of Perdue Farms.

The careers of each of these celebrity entrepreneurs have been composed of essentially a single venture. Consequently, the career and the venture are the same. This *single venture view* of entrepreneurial career time has prevailed partly because researchers, journalists, film makers and other communicators of the entrepreneurial phenomenon have focused too heavily on high growth ventures; particularly high tech ventures. Such focus is natural to expect since these ventures are important, very visible and often run by individuals who attract celebrity status. In a word, they are sexy. They make good copy. But, as we shall discover, they simply are not the norm when it comes to venture creation.

PRIOR RESEARCH ON MULTIPLE VENTURES

A single venture view of entrepreneurship has also prevailed, because a static approach is generally taken when researching entrepreneurs or the ventures they have created. Only a few researchers have considered multiple ventures when studying entrepreneurship. By far the most significant work is Lamont's (1972) seminal piece, which compared technical entrepreneurs with first vs. second generation ventures. His conclusions supported the notion that entrepreneurs not only learn from experience, but, profit from it. That is, those entrepreneurs who had started their second enterprise tended to do better (in terms of sales and profits), than the entrepreneurs still on their first business.

"Learning is a property of almost all business activity. Applied to technical entrepreneurship it means that experienced entrepreneurs exhibit substantial learning when they form a second technology based enterprise. Usually their experience is reflected in a business having a product orientation, substantial initial financing and a balance of essential business skills," (Lamont 1972).

A slightly earlier study that observed the multiple venture phenomenon was Cooper's work on venture spin offs. Again, the experience factor in starting subsequent ventures was raised. Eight of the 30 companies studied intensively in the Palo Alto area, were founded by men who previously had been in the founding groups of other companies. One man was starting his fourth new business. Without exception these men stated that it was easier to start a company the second time; both in regard to making the decision psychologically and in knowing what was involved in launching a firm (Cooper 1970).

A decade would come and go before additional insights and data would be provided on multiple ventures. Then, in a chapter on career departure points for entrepreneurs, Vesper remarked that:

"Perhaps most fascinating and promising of all entrepreneurial starting points are those that occur in series. It fairly frequently happens that one entrepreneur will start a venture, possibly succeeding in it, possibly not, and regardless whether it succeeds or not, go on to start a second new venture, a third, and so on, building an entire career on entrepreneurship", (Vesper 1980).

Vesper then recounted actual examples of two types of sequential entrepreneurship: (a) one where an entrepreneur created a series of similar ventures, related by a common technology or industry setting; and (b) "varied venture sequences where the subsequent ventures where unrelated", (Vesper 1980).

More recent research work which focuses on the entrepreneurial career as the main unit of analysis suggests that multiple ventures are even more prevalent, varied and important than previously thought. This new evidence suggests that the traditional image of the entrepreneur (as one who pursues a single venture career), needs to be amplified, if not changed radically to incorporate the new evidence.

THE NEW EVIDENCE

Emerging evidence about when and how entrepreneurs start and pursue their entrepreneurial careers diverges greatly from the traditional view of entrepreneurship. There is, for instance, great divergence around the average age they start their ventures. While the evidence is still limited, it appears a large share start relatively young, before their 30th birthday, (Ronstadt 1982).

Another surprising element is the number of entrepreneurs who start additional new ventures, and start them relatively soon after they create their first venture. Moreover, a large share of these new ventures may not be sequential start-ups but overlap the initial venture, (Ronstadt 1985).

Finally, a positive correlation appears to exist between the multiple venture start-up phenomenon, the time (age) when an entrepreneur launches his/her career, and the length of an entrepreneurial career. This correlation exists whether one observes entrepreneurs with longer entrepreneurial careers or ex-entrepreneurs who have involuntarily returned to work for someone else. For example; those ex-entrepreneurs who lasted the longest, also started their entrepreneurial careers at younger ages and created multiple ventures, (Ronstadt 1985).

AN EXPLANATION: THE CORRIDOR PRINCIPLE

In an earlier work, one rationale was identified that explains the multiple venture phenomenon, (Ronstadt 1984). This rationale, called the *Corridor Principle*, states that the act of starting a new venture moves an entrepreneur down a venture corridor that allows him or her to see intersecting corridors leading to new venture opportunities that they could not see before getting into business. Occasionally, a new entrepreneur may have identified these other venture opportunities prior to starting an entrepreneurial career but can not take advantage of them until a business is created. In most instances, the first time entrepreneur subsequently sees more attractive opportunities after the initial venture is launched. Then new venture corridors open to him/her, often because more is known or discovered about relevant contacts; reliable suppliers; viable markets; product availability; competitive resources and response time. The key point is that this knowledge and the opportunities they reveal most often come only after one gets into business.

THIS RESEARCH

This study tests six hypotheses using a new database which, for the first time, provides comparable data on both practicing entrepreneurs and ex-entrepreneurs. The latter are defined as individuals who started one or more ventures, but decided to end their entrepreneurial careers and go back to work for someone else.

The six hypothesis reflect expectations about the timing and duration of entrepreneurial careers, as well as the relationship between entrepreneurial career length and the creation of multiple ventures.

THE DATABASE

The data for this study were abstracted from a larger database of 4,100 respondents who responded to Phase One to the National Entrepreneurship Study. All the respondents were alumni of four colleges (Babson College; Bentley College; Georgetown University; and RPI). Specifically, the data consist of 1,537 individuals who qualified as independent practicing entrepreneurs or ex-entrepreneurs.

These 1,537 respondents were included in the study sample if:

- (a) they identified themselves as independent entrepreneurs, . . . i.e., individuals who started their ventures from scratch vs. several other possibilities. The excluded possibilities were acquirers; successors to family businesses; franchisors; franchisees; corporate entrepreneurs; non-profit entrepreneurs; self-employed individuals.
- (b) they identified themselves either as practicing entrepreneurs or ex-entrepreneurs who were founders; cofounders; or lead entrepreneurs. However, practicing entrepreneurs and ex-entrepreneurs were excluded if they identified themselves as partners; members of an entrepreneurial team; a director; or some other designation unless they also identified themselves as founders; cofounders; or lead entrepreneurs.

THE TESTS OF THE HYPOTHESES

Hypothesis 1. Most Entrepreneurs Create Multiple Ventures During Their Entrepreneurial Careers. The data supported this hypothesis for practicing entrepreneurs but not for ex-entrepreneurs. However, a sizable number of all ex-entrepreneurs did create more than one venture.

TABLE 1 Single vs. multiple ventures

Number of ventures	<i>PEs</i>	<i>ExEs</i>	Total
Single	502	98	600
Multiple	872	65	937
Total	1374	163	1537

Tables 1 and 2, show the number and percentage distribution of ventures created for practicing entrepreneurs and ex-entrepreneurs. Approximately 63% of all practicing entrepreneurs, and 40% of all ex-entrepreneurs created more than one venture. Chi-square tests indicate that the differences between cells are not produced by sampling chance. (i.e., the observed differences are significant statistically at the .01% level).

Hypothesis 2. Longer Careers Are Associated With Higher Numbers of Venture Start-Ups . . . , the Greater the Number of Ventures Started, the Longer Will Be the Entrepreneurial Career. The data in Table 3 support this hypothesis for both practicing entrepreneurs and ex-entrepreneurs, although the number of observations for ex-entrepreneurs is insufficient to draw any inferences beyond three ventures.

Analysis of variance rejects the hypothesis that the means for practicing entrepreneurs are equal. In other words, the differences between the means is not due to chance sampling, but rather these differences are statistically significant at the .01% level. The same statement applies to the averages produced for ex-entrepreneurs.

Finally, the reader should note that a very significant difference in entrepreneurial career length exists for both groups between one and two ventures. Single venture careers lasted only 9.3 years and 5.2 years for practicing entrepreneurs and ex-entrepreneurs. In contrast, multiple venture careers lasted 12.0 years and 10.9 years respectively for practicing entrepreneurs and ex-entrepreneurs.

Hypothesis 3. Longer Entrepreneurial Careers Will Have a Higher Positive Correlation with Earlier Career Start-Ups vs. Entrepreneurial Careers that are Started Later in Life. The data in Table 4 support this hypothesis for practicing entrepreneurs with one important qualification. Overall, the data show shorter entrepreneurial career durations for those who started before their 23rd birthday, especially among ex-entrepreneurs. However, shorter careers are related increasingly with later start-ups, (after age 27 for practicing entrepreneurs, and after 32 for ex-entrepreneurs). Analysis of variance finds that the observed differences in the means are statistically significant at the .01% level for practicing entrepreneurs.

However, analysis of variance tests do not reject the hypothesis, that the means are equal for ex-entrepreneurs. Consequently, there isn't sufficient data to conclude that the

TABLE 2 Single vs. multiple ventures

Number of ventures	<i>PEs</i>	<i>ExEs</i>	Total
Single	36.5%	60.1%	39.0%
Multiple	63.5%	39.9%	61.0%
Total	100%	100%	100%

TABLE 3 Entrepreneurial career length (ECL) and number of ventures

Number of ventures	PEs	Average ECL (years)	
		ExEs	Total
1	9.3	5.2	8.5
2	12.0	10.9	11.8
3	14.3	12.1	14.1
4	15.5	*a	15.3
5	17.5	*a	17.2
6	19.8	*a	19.5
Over 6	19.8	*a	19.8

*too few observations

For PE: $F = 35.47$, P value = .0000, $D.F.$ 6, 1381.

For ExE: $F = 7.84$, P value = .0000, $D.F.$ 6, 192.

differences in the means for ex-entrepreneurs is caused by factors other than chance at the .10% level.

Hypothesis 4. Longer Entrepreneurial Careers Will Have a Higher Positive Correlation with Anticipated Career Start-Ups vs. Entrepreneurial Careers That Are Not Anticipated. The data in Table 5 support this hypothesis for those respondents who anticipated their entrepreneurial careers, by explicitly selecting their prior employment to prepare for their entrepreneurial careers vs. those who did not anticipate becoming an entrepreneur.

Analysis of variance rejects the hypothesis that the means for practicing entrepreneurs are equal at the .01% level. In other words, the differences between the means is not due to chance sampling. The same statement applies to the averages produced for ex-entrepreneurs at the .05% level.

Earlier work on Babson entrepreneurs also showed very long average careers for those who went directly into entrepreneurship as a first career, (Ronstadt 1982). The data support this earlier finding for practicing entrepreneurs, but not among ex-entrepreneurs, where average career duration is only 5.8 years.

Consistent with earlier findings, the data (in Table 6) also show that about 2/3 of practicing entrepreneurs and ex-entrepreneurs in this sample, did not anticipate their entrepreneurial pursuits in terms of long-term preparation.

TABLE 4 Entrepreneurial career length (ECL) by age first venture started

Age started	Average ECL (years)	
	PEs	ExEs
Under 23	14.1	6.3
23-27	15.2	8.6
28-32	13.0	9.5
33-37	11.3	9.4
38-42	10.6	8.9
Over 42	7.8	5.8

For PE: $F = 19.50$, P value = .0000, $D.F.$ 5, 1378.

For ExE: $F = 1.43$, P value = .2156, $D.F.$ 5, 181.

TABLE 5 Career length (ECL) by career pathway

Pathway	Average ECL (years)	
	PEs	ExEs
Direct	16.1	5.8
Anticipated	12.4	10.5
Unanticipated	11.8	8.3

For PE: $F = 20.43$, P value = .0000, $D.F.$ 2, 1412.

For ExE: $F = 3.23$, P value = .0416, $D.F.$ 2, 197.

Hypothesis 5. Among Unanticipated First Start-Ups, Longer Entrepreneurial Careers Will Result When the Initial Venture is Related Directly to the Entrepreneurs Prior Experience vs. Unrelated Start-Ups.

The data in Table 7 support this hypothesis for practicing entrepreneurs, but not for ex-entrepreneurs. Prior experience does not have a statistically meaningful impact on career length for ex-entrepreneurs. The difference in average career lengths for this group is less than a year (8.5 years vs. 7.6 years), considerably less than expected or implied by the literature.¹

Analysis of variance tests reject the hypothesis that the means are equal for practicing entrepreneurs at the .01% level but not for ex-entrepreneurs. Consequently, there is not sufficient data to conclude that the differences in the means for ex entrepreneurs is caused by factors other than chance at the .10 level.

Hypothesis 6. Those Entrepreneurs Who Have Created More Than a Single Venture, Tend to do so Early in Their Careers Rather Than Later. The data in Table 8 support this hypothesis for practicing entrepreneurs and to a lesser extent, for ex-entrepreneurs. Overall, one quarter of all respondents created their second venture within two years of starting their first venture. Nearly 2/3 (63.8%) created their second venture within six years of starting their entrepreneurial careers.

However, the data show that practicing entrepreneurs tended to create their second venture faster than ex-entrepreneurs. In fact, the two way table (Table 9) shows that about half as many ex-entrepreneurs created their second venture after six years as before six years.

¹For example, see Vesper (1979).

TABLE 6 The number and percentage distribution by career pathway

Pathway taken	Practicing entrepreneurs		Ex-entrepreneurs	
	#	%	#	%
Direct	203	14.3	35	17.5
Anticipated	269	19.0	28	14.0
Unanticipated	946	66.7	137	68.5
Total	1481	100.0	200	100.0

TABLE 7 Career length (ECL) by related experience for unanticipated start-ups

Pathway	Average ECL (years)	
	PEs	ExEs
Unanticipated exp related	11.1	8.5
Unanticipated exp unrelated	13.7	7.6

For PE: $F = 17.50$, P value = .0000, $D.F.$ 1, 934.

For ExE: $F = .48$, P value = .4886, $D.F.$ 1, 134.

DISCUSSION

The data carry a number of messages or implications, some stronger than others about our perception of the entrepreneurial process and, in particular, the concept of the Corridor Principle.

First, the findings from this study strongly support the position that entrepreneurship is a dynamic, multi-venture process for a great many entrepreneurs. In fact, the data suggest that a multiple venture process is the rule rather than the exception.

Second, a positive relationship appears to exist between finding at least a second venture and realizing a longer entrepreneurial career. Furthermore, this relationship seems to apply to finding and starting additional ventures beyond the second start-up. There are, of course, many possible causes for this association. The reasons why entrepreneurs move from one venture corridor to another may relate to: the need of the entrepreneur to do something new and different; the need to expand, or realize changing goals by starting a more promising venture; the need to bolster a declining initial venture by starting a second, third, etc. venture.

But whatever the cause, many entrepreneurs are creating additional ventures and, thereby realizing extended lives as entrepreneurs.

Third, significant shares of entrepreneurs are creating their second venture very early in their entrepreneurial careers. Furthermore, ex-entrepreneurs create these second ventures at a slower rate than practicing entrepreneurs. Both observations reinforce the notion of the Corridor Principle. The fact that second ventures are created quickly after the first venture, supports the existence of a corridor phenomenon. The fact that ex-entrepreneurs do not move as quickly as practicing entrepreneurs, supports the possible importance of the corridor phenomenon regarding continued existence as an entrepreneur.

Fourth, who can or cannot take advantage of the Corridor Principle is not revealed completely by the data. However, some indication exists that an entrepreneurs ability to take positive advantage of the Corridor Principle is related to age at start-up and entrepre-

TABLE 8 Number of years before creating second venture

Years between 1st and 2nd ventures	% Distribution	
	PEs	ExEs
0 to 2	26%	19%
3 to 6	39%	35%
Over 6	35%	46%
	100%	100%

TABLE 9 The number and percentage distribution of entrepreneurs by the number of years before their second venture

Year before 2nd venture	Practicing entrepreneurs		Ex-entrepreneurs	
	#	%	#	%
Zero to six	526	64.5	29	53.7
Over six	290	35.5	25	46.3
Total	816	100.0	54	100.0

neurial career path. Extremely young starts may not be advantageous for some budding entrepreneurs, but relatively young career starts that are anticipated may allow future entrepreneurs to exploit better the phenomenon of the Corridor Principle and enjoy longer lives as entrepreneurs.

Fifth, the data have a serious implication for most budding entrepreneurs. My experience with many prospective entrepreneurs indicates that the vast majority of budding entrepreneurs are not visualizing their initial venture as a stepping stone to their second venture. Yet maximizing entrepreneurial career duration, particularly surviving the early years of an entrepreneurial career, seems to require a perspective that includes the likelihood of multiple ventures.

IMPLICATIONS AND CONCLUSION

The main implications for entrepreneurship practitioners; advisors; researchers; teachers; and students are these:

Whether studying the entrepreneurial process, or planning to start an entrepreneurial career, a long-term view should be taken, one that extends beyond the first venture and includes the likely possibility of multiple ventures.

The criteria entrepreneurs and their advisors use for starting vs. not starting their first venture may (on average) be set too high. The minimum economic returns of earlier ventures can be lower than previously thought, if these ventures provide entry to subsequent ventures that possess higher (more acceptable) returns to the entrepreneur. The evidence thus far available indicates that the creation of subsequent ventures occurs relatively quickly when corridors of opportunity become visible and attainable after earlier ventures are established.

Budding entrepreneurs can afford to be less enterprising in terms of their initial ventures. They may be better off looking for a venture that simply gets them into business and provides a conduit toward more ambitious and/or rewarding ventures, to be started in the future.

The likelihood of career failure, as opposed to venture failure, may be lowered if one selects earlier ventures based on their potential to reveal follow-on-venture opportunities, that the entrepreneur can investigate and possibly pursue.

In conclusion, a clearer picture of the entrepreneurial career process emerges when the Corridor Principle is used to explain the longer term events surrounding the careers of many entrepreneurs. While more remains to be discovered about this emerging concept, an understanding of the Corridor Principle can alter and improve our knowledge of how, when and why many entrepreneurs develop new ventures after they've created their first venture.

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