Bringing Research to LIFE

The risky world of entrepreneurship
Researcher investigates business behaviour

Zhenyu Wu was recently appointed Canada Research Chair in Entrepreneurship and Innovation.

BY KATIE CHALMERS-BROOKS
For The Bulletin

How do investors decide which business ideas to get involved with? Asper School of Business researcher Zhenyu Wu is trying to figure this out by analyzing how investors — and entrepreneurs — take risks.

A recently appointed Canada Research Chair in Entrepreneurship and Innovation, Wu hopes to provide budding business owners with valuable insight on how to increase their chances of securing money. “Entrepreneurs and innovation are engines of economic growth. That’s what people have realized, especially during this economic recession and ongoing financial crisis,” says Wu.

He’ll receive $500,000 over the next five years to explore what motivates investors to take substantial risks before seeing any positive cash flow, and how their decision is affected by the risk-taking behaviour of entrepreneurs looking for support.

The Canada Foundation for Innovation provided an additional $118,000 to create a Behavioural Lab for Entrepreneurship Research within Drake Centre, where Wu and his team can interview investors and entrepreneurs from Manitoba and across Canada. The lab will be equipped with audio, visual and computer equipment for teleconferencing, and have an area where additional researchers can observe and analyze.

He says they will be looking at two types of investors: “business angels” who invest very early on and take the highest risks, offering their advice and resources to take the product further, and “venture capitalists” who wait to see some sort of promising sign before coming on board.

They’ll gather information during these interviews in order to design a survey about risk-taking behaviours that would then be sent to more than 10,000 investors and entrepreneurs. “That would be very valuable data for researchers in this field,” says Wu, who arrived at the U of M last July from the University of Saskatchewan.

He has also investigated what signals entrepreneurs are sending to potential lenders during discussions with financial institutions. Wu’s research showed that some signals can increase the odds of securing investment. For example, if entrepreneurs say they are prepared to use their personal credit card to pay for their business expenses, they are indicating they are willing to risk a personal loss.

He has also identified “a subtle gender effect” that occurs when women borrow money for business purposes. He found that lenders charge female sole proprietors a higher interest rate — on average 73 basis points — than men. “There was debate in the literature regarding how or whether female entrepreneurs were treated differently but no conclusion. This is one more piece of evidence,” Wu says.

These findings are set to be published this May in the prestigious journal Entrepreneurship Theory and Practice.

His earlier research examined how family involvement plays a role in a business’s success. When family members are owners or managers, entrepreneurs gain “social capital” and have an advantage.

Wu’s role as Canada Research Chair also includes hosting conferences and workshops in this field, bringing to the U of M successful investors from around the world and other leading researchers.

The Centre on Aging’s Annual Dialogue on Aging

Monday, May 7, 2012
8:45 a.m. to 4:00 p.m.
Brodie Centre Atrium
727 McDermot Ave.
Bannatyne Campus,
University of Manitoba

To register or for more information, visit: umanitoba.ca/centres/aging/events/384.html

For The Bulletin

Dr. Jan Oleszkiewicz
Distinguished Professor,
Civil Engineering,
University of Manitoba

Thursday, Apr. 12 at 7:00 p.m.
Robert B. Schultz Lecture Theatre,
St. John’s College, 92 Dysart Rd.
Fort Garry Campus

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Dr. Jan Oleszkiewicz applies his innovative and pioneering expertise in the area of environmental engineering to the challenge of reducing the world’s ecological footprint. His research has changed how wastewater treatment plants are designed around the globe as well as right here in Winnipeg. He is the recipient of the 2011 Dr. John M. Bowman Memorial Winnipeg Institute Foundation Award in recognition of his outstanding research accomplishments. Join us to learn how research is applied to real world problems.

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