



Entrepreneurs Must Balance Specialisation With General Knowledge

Entrepreneurial legitimacy rests on having general and functional knowledge of an industry.

In *La La Land*, Sebastian is such a dedicated jazz pianist that he cannot bear playing other kinds of music. After many trials and travails, he succeeds as an entrepreneur, starting the jazz club of his dreams. A wonderful story of entrepreneurship (the movie had a love story too, I think), but is it realistic? It depends on who you ask.

A recurring theme in entrepreneurship is the trust in generalists – people who can master a wide range of tasks. This trust comes from one big-picture and one small-picture consideration. The big-picture consideration is that successful entrepreneurship has a component of inspiration gained from combining ideas that others do not see as connected. You may be carrying the descendant of such a combination: The iPhone was put together by a company that made compact MP3 players which had just exited an alliance with Motorola to make cellular phones. The small-picture consideration is that smaller entrepreneurs often end up in charge of everything, first directly, then through finding and recruiting expertise for each function. Generalists are good at this.

But could Sebastian have been the capable founder of a jazz club if he were a generalist? The argument against generalists is that they are superficial and they don't have enough deep knowledge about any specific topic to succeed.

Gaining legitimacy

A paper in *Administrative Science Quarterly* by Aleksandra Kacperczyk and Peter Younkin finds that pure generalists have no particular advantage in entrepreneurship; what is needed in the ideal entrepreneur is one area of specialisation combined with general knowledge. Specifically, specialisation in the market pays off when combined with general knowledge about the tasks needed for production. This broad and deep combination buys both the credibility and understanding of customers, which are more important to specialise in than the mechanics of making a product.

The study, which gathered evidence about music industry entrepreneurs who formed independent record labels, showed both the effects of market specialisation and the effects that were complementary to functional breadth. Market specialists could double their odds of success by becoming more general in functional knowledge; market generalists began with low odds which did not improve when they gained more general functional knowledge.

So, Sebastian got lucky. Yes, he had market knowledge, but he knew little about different functions (I am not counting tap dancing as a useful function). For an example of someone who had both general and functional expertise, the paper

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references Justin Timberlake. Prior to becoming an entrepreneur, Timberlake was part of a pop group, 'N Sync, and later diversified into song writing, performing as a backup singer and producing music. Therefore, the breadth of his functional knowledge increased over time giving him more entrepreneurial legitimacy.

For start-ups, the paper's authors suggest, those who have worked in a number of jobs in their field, gaining both functional and general knowledge, will find it easier to establish themselves as entrepreneurs.

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