Practical Intelligence

- Practical Intelligence- experience based accumulation of skills, dispositions, tacit knowledge, and the ability to apply the same to solve every day problems; it is also referred to as common sense (Sternberg, 2003).

- Why is it important?
  - Over 50% of new ventures fail within 5 years (Baum, Frese, Baron, & Katz, 2006).
  - Personal characteristics of entrepreneurs, together with features of the venture opportunity itself, are among the strongest predictors of successful opportunity exploitation through venture creation and early venture success (Baum et al., 2006, Shepherd, 1999; Zopounidis, 1994).
  - Most malleable of the three; creative, analytical and practical intelligence (Sternberg, 2004).
  - Enables problem solving with ready knowledge.
Research Questions

- “How is experience converted into PI, and which learning orientations are best for accumulation of PI?”
- “Does PI contribute to new venture growth (NVG)?”
Proposed Model

- Venture Experience
- Learning Orientation
- Practical Intelligence
- New Venture Growth
- Relevant Industry Expertise
Methodology

- 2001-22 interviews and 472 surveys from CEOs of printing and graphics industry.
- 312 responses screened for high potential entrepreneurs resulting in 146 participants.
- 2002-second survey sent resulting in 143 usable responses.
- 2006-Follow up survey for predictor and performance measures
FIGURE 1
Theoretical Model: The Practical Intelligence of Growth Oriented Entrepreneurs

Notes: * = "t">2.0 (p<.05); N = 143; See Table 4 for structural equation parameter (shown in parens) and fit statistic details
Contributions

- Application of Sternberg Methodology of measuring Practical Intelligence.
- Establishes value of Practical Intelligence in new venture growth.
- Extends the literature on how experience gets translated into Practical Intelligence.
- Opportunity for entrepreneurs to develop practical intelligence through choice and development.
- Additional information for venture financiers
THANK YOU