

What Makes an Entrepreneur

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

What actually makes an entrepreneur? This isn't a simple question since the reasons why people go into business are many and varied.

Certainly, being an entrepreneur requires a combination of character, training and culture as well as spotting and taking advantage of opportunities when they occur.

It also means that you'll have to work hard - very hard. If you want to get rich quick without having to work hard, you might find it easier to try the lottery. Your chances of making it big in the lottery may be only one in several million, but your prospects of becoming a millionaire in business overnight are probably no better.

Look at the risks you'll face - as a business owner you will have to:

- Risk your money (often putting your house on the line to finance your business);
- Make thousands of decisions;
- Work very long hours.

If you aren't able or willing to do these three things, then going into business may be a mistake for you and perhaps you don't have what it takes to become an entrepreneur.

Many people think about going into business for themselves. It usually happens:

- When they feel unfairly treated by their employer;
- They want to be their own boss and don't want to work for someone else;
- To better use their skills and abilities;
- They are driven by an entrepreneurial urge to start something as a way of developing new ideas or using technology in new ways - to do their own thing and control their own destiny;
- Because they want to earn more money.

Interestingly, making more money isn't top of this list.

Defining an Entrepreneur

In the fast-growing economy of the 1990's, the entrepreneur has been cast in the role of the "agent of change."¹

Defining what makes a good entrepreneur is harder than it might seem. According to the Collins English Dictionary, an entrepreneur is:

"The owner or manager of a business enterprise who, by risk and initiative, attempts to make profits."

Webster's Dictionary says an entrepreneur is:

"One, who organises, manages and assumes the risks of a business or enterprise."

Entrepreneurship is usually associated with the creation of new businesses and the founders of new businesses are called 'entrepreneurs'. But², it's sometimes widened to include new forms of organisational activity within existing businesses and non-business organisations, which aim to create new social or economic value. Today, an entrepreneur is usually thought of as someone who goes out and forges new territory, dares go where no one has gone before - a person with passion and determination to succeed with the task in hand.

Entrepreneurship is more than just breaking away from the constraints of employment:

- It's also about being able to tackle the detailed requirements of building an organisation in today's fast moving economy. There's a great deal of detail involved when building a new business - such as establishing systems and procedures;
- It's not only about having a lot of ideas or business sense either - it's also about having a lot of courage with a great deal of self-confidence;
- It's more than just having a good idea or inventing and making a better widget. Successful entrepreneurs must keep a number of balls in the air as they keep their ventures thriving.

Many studies have shown that successful entrepreneurs appear to be an extremely diverse group with many different characteristics. An ancient Chinese proverb puts it well:

"There are many paths to the top of the mountain, but the view, however attained, is always the same."

If you're someone who wants to go into business because you don't like working with or for other people and want to be your own boss, you need to seriously consider whether this entrepreneurial step is right for you. If you don't want or don't like to deal with other people, how are you going to deal with customers or employees as your business grows?

Entrepreneurial traits

It's surprising but entrepreneurs are not part of the top class of intellectual ability: they form the middle to top range. Exceptionally bright people tend to be limited by their intellect as far as business is concerned and find it difficult to make commercial decisions.

Whilst the very bright, intellectually competent and logically inclined individual is thinking about the reasons why they should do something (and also of all the reasons why they should not) the less bright but still intelligent entrepreneur has already spotted the opportunity and exploited it.

Not all successful independent business people are entrepreneurs. Whilst many have learned and developed solid business skills and have detailed technical knowledge, not everyone is the type that can handle all the risk of being an entrepreneur. In considering whether or not to run their own business, people often wonder if they have entrepreneurial traits.

It's worth noting that personal qualities and common character traits among successful entrepreneurs include:

- Motivation to Achieve - usually, successful entrepreneurs are individuals who are highly motivated to achieve. They make things happen. Research has shown that the most consistent trait found in successful entrepreneurs is the determination to succeed;
- Competitive - entrepreneurs are competitive by nature. They're people with high energy and exude self-confidence. They set long-term objectives and see financial security as a measure of accomplishment and peace of mind;
- Persistent - they persist in solving problems, refusing to believe that there isn't a solution to every problem. They use their natural creativity to come up with new solutions to old problems;
- Focused - they can be completely focused, sometimes even blindly so, by what they do or by what interests them. But that's not to say they don't jump from one idea to another without finishing the first task;
- Hard Workers - entrepreneurs are almost always very hard workers. They start earlier than others and are the last to leave work at the end of the day;
- Risk Takers - entrepreneurs are risk-takers. The risks they're willing to take are calculated ones. They trust their own judgment and act on it;
- Non-conformists - entrepreneurs are independent souls who find it difficult to work for others. They want to set their own objectives and do things in their own way;
- Strong and Inspirational Leaders - successfully starting and then developing an independent business requires a lot of leadership skills.

"There is a tremendous need amongst small businesses for training in basic matters such as financial management, use of business ratios, customer management... but most people go into business because they have a particular skill or they are good at doing a particular job. They are not necessarily born and bred, wonderful business people, but they are good at doing what they do."

From Minutes of Evidence, Select Committee on Welsh Affairs, 16 June 1998

Are you an Entrepreneur?



Rate yourself on the following behaviours and qualities. They represent research by The Institute For Leadership Dynamics (<http://www.leadership-dynamics.com/>) on the characteristics of a successful entrepreneur. Take your time and answer each question honestly. Use the following scale to rate your level of agreement with how well each item describes you. The higher your score, the more likely it is that you are a natural entrepreneur.

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Agree
- 4 = Strongly Agree

1 2 3 4

1.	I am able to translate ideas into concrete outcomes and tasks.				
2.	I quickly establish credibility with clients.				
3.	I work long, hard hours when necessary to achieve outstanding results.				
4.	I effectively weigh options and potential consequences when under pressure.				
5.	I see connections, trends, and patterns that are not obvious to others.				
6.	I learn quickly when facing new problems.				
7.	I prefer to plan thoroughly before taking action.				
8.	I provide feedback and coaching that helps other people improve their performance.				
9.	I try to be the best at everything I do.				
10.	I am known as a creative problem solver.				
11.	I am able to translate long-term strategies into day-to-day goals and activities.				
12.	I enjoy the challenge of novel or unusual situations.				
13.	I am not easily discouraged and persist when faced with major obstacles.				
14.	I communicate thoughts and ideas in a clear and compelling manner.				
15.	I prefer working with a difficult but highly competent person rather than someone who is congenial but less competent.				
16.	I make effective and timely decisions on complex issues.				
17.	I quickly grasp the underlying issues in complex situations.				
18.	I am resourceful and versatile in responding to unexpected threats or opportunities.				
19.	I prefer to work on my own, with as little outside direction as possible.				
20.	I find a limited working environment frustrating.				
21.	If something I am involved in goes wrong, I feel personally responsible.				
22.	I do not enjoy working with other people.				
23.	I have a clear idea of what I want to do over the next three years.				
24.	I think that I have control over and can influence my future.				

Can Entrepreneurship be learned?

Entrepreneurship is increasingly being recognised as an important area of management study and practice. Its relevance is not confined to the context of new venture creation or the management of small businesses - organisations of all sizes, and in all sectors, are requiring people to respond in ways that could be characterised as 'entrepreneurial'. Individuals are expected to be more proactive and innovative in their approach to opportunities and to the securing and deployment of resources.³

Perhaps the most significant event in recent years for the UK Higher Education Sector was the publication of the Dearing Committee Report on Higher Education in 1997 (NCIHE, 1997) - it was clearly in favour of expanding entrepreneurship education provision. And, in recent years, British universities, following the lead of their American counterparts, have been setting up courses in entrepreneurship. You can now study to be an entrepreneur at over more than 50 British institutions⁴. Courses vary from a single day to the University of Durham's 21 month part-time MA. The courses run from those aimed at people with business experience to degree courses for both under and post graduates - see details at the end of this publication.

Sue Birley, Professor of Entrepreneurship at Imperial College says⁵: "It's like asking how you teach an opera singer. You start with a natural talent, but you instruct it and develop it. The same goes for entrepreneurs. We're developing their skills, training them and imparting knowledge."

Michael Hays, Professor of Management Practice of Entrepreneurship at the London Business School says: "What we can do is give our students with an entrepreneurial bias the skills to assess an opportunity and then structure it in such a way that it is more likely to be successful. We can teach them how to present that opportunity as a clear and appealing business plan and how to pitch it to investors...We can prepare them for launching a start-up company."

Who can be an Entrepreneur?

The answer is - anyone can be an entrepreneur:

- Age doesn't matter any more. Today, people of all ages demonstrate entrepreneurial skills and start new businesses every day;
- Gender doesn't matter either. Today, women start more businesses than men do;
- Marital status (or rather the status of family commitment) matters, at least to some extent. Women rarely start new businesses when they're pregnant, whilst many men put entrepreneurial calling on one side when there are commitments such as mortgage repayments and school fees to worry about;
- Education matters - knowledge and skills are very important, whether acquired at school, college, university, adult study or via work experience.

While successful entrepreneurs don't differ from other people in terms of specific traits, they do differ from them with respect to cognitive processes: the way they think, reason, and make decisions. The basic reasoning behind this view (known as the cognitive perspective) is as follows:

- As human beings, our capacity to process new information is severely limited and can be easily overloaded;
- When it is overloaded, our susceptibility to various kinds of cognitive errors is increased;
- Within this perspective, the key difference between successful and unsuccessful entrepreneurs is that the successful entrepreneur is better able than other people to avoid or minimise such errors.

Risky Business:

There are two main types of entrepreneur: the charismatic type and the pragmatic type - the former tends to be risk prone while the latter tends to be more risk averse.

Courses and Degrees in Entrepreneurship in the UK

There are several courses and degrees in entrepreneurship in the UK - details of some of these are:

Kaplan Open Learning: Online Degree in Entrepreneurship

Study for a Degree in Entrepreneurship and acquire the essential knowledge to be an entrepreneur and run your own business. Kaplan train over 1 million students every year and are working with the University of Essex to deliver online degrees to working adults. Details at:

www.kaplanopenlearning.org.uk/landing-pages/index_gen_entrepreneur.html

Entrepreneurship Postgraduate courses in the UK

In the UK, Postgraduate courses tend to be split into those that are largely taught and those that are largely research based.

Postgraduate Entrepreneurship master's generally take one or two years to complete whereas Entrepreneurship PhDs will take at least three years. Details at:

www.whatuni.com/degrees/courses/Postgraduate-list/Entrepreneurship-Postgraduate-courses-UK/qualification/L/search_category/10247/loc.html

Emagister

Several courses are available:

- B Business (Hons) Entrepreneurship in Limkokwing University of Creative Technology (England)
- BBA - Entrepreneurial Management Maritime Greenwich College
- MBA - Entrepreneurial Management Maritime Greenwich College

Details at:

www.emagister.co.uk/entrepreneurship_courses-ek343.htm

The Foundation for Entrepreneurial Management

Entrepreneurship was established as a separate subject area in 2000. Its mission is for London Business School to be widely acknowledged as the leading business school in the world for entrepreneurship; the best place for entrepreneurially minded students to study; the best place for faculty with entrepreneurial research interests to work; and the best place for entrepreneurially minded practitioners to engage. Whether you are running a business or investing in one, planning to study at London Business School, are working as a business academic or just want to know what's happening in entrepreneurship there's something for you in this website:

www.london.edu/entrepreneurship.html

Recommended Reading

- Warren Buffett Speaks: Wit and Wisdom from the World's Greatest Investor, by Warren Buffett, published by John Wiley & Sons, ISBN: 047116996X.
- Building a Company: Roy O. Disney and the Creation of an Entertainment Empire, by Bob Thomas, published by Hyperion Books, ISBN: 0786862009.
- Insisting On the Impossible: The Life of Edwin Land, by Victor K. McElheny, published by Perseus Pr, ISBN: 0738201901.
- Richard Branson: Virgin King: Inside Richard Branson's Business Empire, by Tim Jackson, published by Harper Collins.
- The Making of a Blockbuster: How Wayne Huizenga Built a Sports and Entertainment Empire from Trash, Grit, and Videotape, by Gail DeGeorge, published by John Wiley & Sons, ISBN: 0471159034.
- Built to Last, by James C. Collins & Jerry I. Porras, published by Harperbusiness, ISBN: 0887307396.
- Service Success!: Lessons from a Leader on How to Turn Around a Service Business, by Daniel I. Kaplan & Carl Rieser, published by John Wiley & Sons, ISBN: 0471591297.
- Titan: The Life of John D. Rockefeller, by Ron Chernow, published by Random House, ISBN: 0679438084.
- Work In Progress, by Michael D. Eisner & Tony Schwartz, published by Random House; ISBN: 0375500715.

Managers and Entrepreneurs

A manager has to be a very disciplined, analytical type of person, who can look at things and weigh them up very carefully. Managers are careful people. An entrepreneur is not a careful person. Careful people (good managers) write the history, they don't create it (entrepreneurs do).



- *Losing My Virginity: How I've Survived, Had Fun, and Made a Fortune Doing Business My Way*, by Richard Branson, published by Times Books, ISBN: 0812931017.
- *Buffett: The Making of an American Capitalist*, by Roger Lowenstein, published by Doubleday, ISBN: 0385484917.
- *I'd Like the World to Buy a Coke: The Life and Leadership of Roberto Goizueta*, by David Greising, published by John Wiley & Sons, ISBN: 0471194085.
- *Adventures of a Bystander*, by Peter Drucker, published by John Wiley & Sons, ISBN: 0471247391.
- *Direct from Dell: Strategies That Revolutionized an Industry*, by Michael Dell & Catherine Fredman (Contributor), published by Harperbusiness, ISBN: 0887309143.
- *aol.com: How Steve Case Beat Bill Gates, Nailed the Netheads, and Made Millions in the War for the Web*, by Kara Swisher, published by Times Books, ISBN: 0812928962.
- *Jack Welch & The G.E. Way: Management Insights and Leadership Secrets of the Legendary CEO*, by Robert Slater, published by McGraw-Hill Professional Publishing; ISBN: 0070581045.
- *Inside Intel: Andrew Grove and the Rise of the World's Most Powerful Chip Company*, by Tim Jackson, published by Dutton Books; ISBN: 052594141X.
- *McDonald's: Behind the Arches*, by John F. Love, published by Bantam Books, ISBN: 0553347594.
- *Nuts! : Southwest Airlines' Crazy Recipe for Business and Personal Success*, by Kevin Freiberg, Jackie Freiberg & Tom Peters, published by Bantam Doubleday, ISBN: 0767901843.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

References:

¹ The University of Akron's School of Business

² Gibb and Cotton, 1998

³ See BA in Entrepreneurship programme offered by Lancaster University Management School - details at: www.lums.lancs.ac.uk/Courses/ug/baentrepreneurship.htm

⁴ A survey carried out in 1999 of all 133 Higher Education Institutes (HEIs) in England funded by the Higher Education Funding Council for England showed that 50 offered courses in entrepreneurship. Jonathan Levie, London Business School, carried out the survey.

⁵ From The Observer: special feature, 15 October 2000.

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