

This is what serial entrepreneurs are made of

It's a unique combination of fear of failure and over-optimism about success that often drives serial entrepreneurs on to their next venture.

A successful entrepreneur who has built up a business from scratch and successfully sold it for a significant sum should be able to do it all over again with a new venture, only better. Right?

Wrong. Past success is of course no direct ticket to success in the future. However, gaining an understanding of your entrepreneurial tendencies so you can use them to best effect will stand you in good stead if, after exit, you're keen to start again.

Be aware of overconfidence

In a survey of 576 UK entrepreneurs, Harvard Business School researchers found that entrepreneurs who simultaneously held multiple businesses seemed able to learn from setbacks, and adjust their expectations based on experience.

Serial entrepreneurs, by contrast, did not. "Their optimism remains undimmed by failure," the researchers remarked. In fact, they concluded that serial entrepreneurs' greater propensity to remain optimistic might be due in part to the "deep pain" they felt when a project failed – pain that is especially acute because it is their only current business.

A more recent study by the European Centre for Economic Research backs this up. Analysing the fortunes and track records of 8,400 German ventures, the researchers concluded that the previously successful entrepreneurs were no more likely than the others to succeed in their next venture.

Overconfidence, then, appears to be a prerequisite for serial entrepreneurs. Being alert to this tendency might help business-people temper the ideas at the wilder end of the spectrum and avoid mistakes.

Make fear a positive force

The flip-side of this confidence is fear. The drive to attempt to repeat success is simply irresistible for most entrepreneurs – and the risk of failure is part of the allure.

UBS recently interviewed some high profile members of entrepreneurial networking organisation, E2Exchange: Entrepreneur to Entrepreneur Exchange.

Their insight into the experience of exiting a business showed they all share a healthy fear of failure.

E2Exchange Board Director and serial entrepreneur, Hugh Chappell, founder of TrustedReviews.com says "There's always a worry: can I do this again, was I lucky?"

For Founder of Pacific Direct and fellow E2Exchange Board Director, Lara Morgan, apprehension is a positive force. She freely acknowledges she is driven by avoiding the experience of her father, who went bankrupt.

"I was driven by the fear of the other people in this competitive market catching me up," she says. "I was terrified of failing. It was a race, and that's how I see all my businesses."

Don't assume old lessons still apply

Are serial entrepreneurs really incapable of learning? Susan Marlow, Professor of Entrepreneurship at the University of Nottingham, believes that business experience is a valuable part of entrepreneurial success.

She cites the simple example of a young entrepreneur who avoids debt by instinct, but later realises a loan would have cost them half as much as their credit card bill.

Learning from failure, her own research suggests, is not easy, however: "Few people will tell you that they failed because of their own shortcomings, and it's a bad idea to cling to lessons that aren't necessarily valid for future ventures, she counsels: "It can make us less open to new ideas. People think 'I did it like this 20 years ago, so that's what I'm going to do now'."

Harness your other traits too

A picture emerges of serial entrepreneurs as personalities who are driven to constantly embark on new schemes. But business psychologist Dr Mark Parkinson, who works with many entrepreneurs, points out they are more complex than this – and suggests they draw on their wide 'hinterlands' as stimulus for repeating success.

"One thing that has always struck me is that, despite applying laser-like attention to a particular venture, they also tend to have very wide-ranging interests," he observes. "I think this is at the root of being a serial entrepreneur. There is always another idea or business model around the corner – and the wish to throw the dice again is hard-wired into them.

"That's along with the other characteristics which seem to define entrepreneurs, such as an internal locus of control – they believe they can make a difference, as opposed to success being a matter of luck.

"They are also very good at tolerating ambiguity, with an ability to cope with information or situations where much is unknown.

"And, of course, grit and tenacity play their part too."