



Bottling the Entrepreneurial Spirit

Let's just imagine that I've got this great business idea, but I need to raise some major finance. After having exhausted the spare resources of my friends and relatives, I arrange to have a series of meetings with potential investors. After a quick run through my business plan they start to ask me about my motivation, my interest, and my passion for starting the business. Why do I want to do this? What makes me think that I will succeed?

Good questions. That's because it seems to make sense that my personal characteristics are at least as important as my business idea. And naturally because the *individual* is considered to be key to the success of a venture, psychologists have long been concerned with what such people are like. Indeed there are decades of research that have been dedicated to getting under the skin of the entrepreneur, and trying to work out how he or she ticks.

Genetic chutzpah

A glance through any list of entrepreneurs, be it one that is aiming to identify rising stars, or a 'Rich List' compiled by a newspaper, often yields some familiar names. It seems that the sons and daughters of the famously successful are themselves frequently in line to make business history. The cynic might observe that in the 'are entrepreneurs born or made?' debate, it does no harm to be a member of a wealthy family. Having attended Oxford or Cambridge University also appears to give a good start. However a deeper trawl through the 'biographies' of entrepreneurs reveals that they come from a wide variety of backgrounds, and that success is independent of early privilege, be it of the financial sort, or educational opportunity.

Psychologists and others have looked at the full range of background factors, such as education, occupation of parents, previous business experience, age at start-up, gender, religion or immigrant status. The results suggest that there is no entrepreneurial blueprint, although a successful parent, or a desire to succeed for some other reason may fire a potential entrepreneur's imagination and self-belief. Interestingly Cary Cooper, formerly Bupa Professor of Organisational Psychology at UMIST, observes that many entrepreneurs have been inspired by a caring parent or a mentor, and the majority can also identify a significant 'shaping' event in their childhood – with bereavement at an early age being a common factor. And of course there are many examples of entrepreneurs who have started with nothing apart from their wits and a burning desire to get on in life.

Leader of the pack

More recently there has been much talk of the importance of birth order. This seems to be a hangover from Victorian times in as much as the order of precedence used to be: first son inherits business, second joins the Army, and third seeks a position in the Church. These days the 'older brother' or 'older sister' syndrome involves seeing the older child as being special in some way, or as the leader of the pack.

Many an entrepreneur-watcher has uncovered statistics that suggest that most are first-born children, and in particular that the majority of successful female entrepreneurs are the eldest. Conversely there is a school of thought that supports the view that later-born siblings are more rebellious and open to innovation. The fact is that statistics of this sort bedevil the whole area and it is probably sufficient to say that Bill Gates is a middle child – a position often touted as being inauspicious for opening a corner shop, let alone founding a global business empire. Although we would be wise to consider that other family factors such as sibling rivalry may play a role, and second-generation entrepreneurs are often fuelled by a tension between their ideas of how to grow the business, and those of the founder.

Overall, while the drive and determination of entrepreneurs may be influenced by where they come from, and the environment in which they were raised, there is obviously more to it.

The magic bullet

A thorough examination of the personality characteristics of successful entrepreneurs provides some useful insights. Indeed if it was possible to isolate a distinctive group of attributes, this would be the 'magic bullet' that investors would pay good money to possess. After all, it would be a way of determining who was most likely to succeed, and thus of reducing the risk of investing.

It turns out that there is a long list of personality-type attributes, some of which are fairly obvious, others less so. For example, on any list would be independent mindedness, the desire to create something new, and perseverance. The desire to be independent and to be the master of one's own destiny is a powerful driving factor, but of course the ability to plough-on, regardless, and not to be distracted by success *or* failure, is also a valuable characteristic.

However for the technically minded, the three big factors that are recognised as being fundamental to the entrepreneur are a high 'need for achievement', an internal 'locus of control' and 'risk seeking' behaviour. The first two are based on the work of a number of famous psychologists, not least the post-war research on achievement motivation of David McClelland.

In reality 'need for achievement' is concerned with the unique way in which people think when their desire to achieve is stimulated. Those with a high

'need to achieve' perform better when they are confronted with challenging, rather than routine tasks. They also like to innovate and to find new or different ways of doing things.

Locus of control is all about the degree to which people perceive that they can influence the events in their own lives. Thus those with an 'internal' locus believe that they are in control; whereas those with an 'external' locus believe that they are at the mercy of outside influences such as what other people do, or the vagaries of chance.

Risky business

Finally risk, or rather the way in which entrepreneurs view risk, has also been put under the microscope. This is a complicated area and the uninitiated often believe that entrepreneurs are big risk takers – gamblers even. Not helped by scores of autobiographies that play up the author's willingness to risk all. The truth is often rather more prosaic. Entrepreneurs may take bigger risks than the rest of us, but they are calculated risks. Also risks that are bearable because many entrepreneurs have a high 'tolerance of ambiguity', in that they are good at coping with open-ended situations and can deal with uncertainty.

Indeed the latest view of entrepreneurial risk-taking is that they actually take on risk as the last resort; much better, in the mind of the entrepreneur, to apportion it amongst lenders, suppliers and even employees. This sort of 'bootstrapping' behaviour is perhaps best illustrated by many of the original founders of dot.com businesses, as these were usually started with large amounts of other people's money.

Also, to turn risk on its head, investors in particular need to realise that many entrepreneurs are actually incapable of running businesses. They are in themselves the biggest risk. This harks back to the desire to be independent, and frankly getting bored with the detail. In a small concern the entrepreneur can manage everything personally, but this is not possible when the business has grown to a certain size. Management conflict then ensues because there is a fundamental difference between running a large, stable (and more bureaucratic - more people, more paperwork, more processes) business, than a small growing company.

The clutch of factors described so far provides quite a good entrepreneurial profile, but it is not unique to entrepreneurs. For example, a high need for achievement is a drive that could just as easily be attributed to many sports people. The final chink may well be in the way in which entrepreneurs prefer to solve problems.

Think yourself rich

As a Business Psychologist my own research has highlighted the differences not in biographical factors, or personality attributes alone, but in thought processes.

Having conducted a large project that looked at 20 businesses over several years, some distinct trends emerged. For example the more innovative the person, the broader their idea base. But perhaps more fundamentally, true innovators looked for differences, whilst 'imitators' looked for similarities. This makes sense, as innovative entrepreneurs are often fated for their open-mindedness, and their willingness, at times, to think the unthinkable.

There were also telling differences between entrepreneurs when it came to overcoming mental 'blocks'. A good example is the Gambler's Fallacy. Many gamblers believe that luck influences their chances of success. A run of bad luck, and losses, must eventually change because they are due a break. However it's a fact that past 'bad', or indeed 'good' luck, has no effect on future winnings. But lots of people take the same view: if I just keep going, my luck will change. In contrast successful entrepreneurs seem to take a more pragmatic approach, and genuinely believe that you make your own luck. So successful entrepreneurs seem to make less errors based on the probability of events, and the best know exactly when to quit and start again.

Wiggly thinking

New developments in assessment technology have made it possible to look at how people tend to approach problems, rather than concentrate on the end result. Like someone completing a maths examination it is often more instructive to see the 'working out', rather than focus on whether the answer is correct.

Some of the techniques now used by Business Psychologists include Cognitive Process Profiling (CPP). A method that allows a person's cognitive style, or the approach they take to thinking, to be examined; plus the areas of their thinking that can be developed, and the work environment in which they will perform the best. This is a powerful tool as it helps to highlight important differences in thinking 'capability.'

As entrepreneurs are often innovative, versatile people who enjoy a challenge, something like CPP allows a unique view into their problem solving and decision making style - a style that is not necessarily based on linear problem solving, but which is often more indirect and exploratory, or 'wiggly'. This process-based approach also allows learning potential to be assessed. A capability that is central to business success. That's because the *sustainability* of a venture relies on an entrepreneur's ability to learn and develop while a business is growing.

The Entrepreneur Detector

Putting all this together you have probably spotted that there are some things that seem to be hard-wired into the potential entrepreneur, and other things, let's call them E-skills, that can be learnt. Also that assembling all the things we know about personality and thinking style means that we can produce a reasonable 'entrepreneur detector'. A way of looking at entrepreneurs that

allows us to see what gets their engine running, and that also allows us access to some of the moving parts under the bonnet.

In addition if there are genuine E-skills, we can, for example, teach someone about the likely pitfalls and how to avoid them. The upshot being that it would then be reasonable to run courses in Entrepreneurship. This is a trick that has not been missed by the Higher Education establishment. It is now possible to study any number of degrees in Entrepreneurship, and it is firmly established as an elective subject on many MBA courses.

So it seems then that we have accepted that there are aspects of being an entrepreneur that can be learnt, and that like any sport you can improve your skill with practise. But the important extra ingredient is the passion that you bring to it, and this is likely to be a complex mixture of emotional and intellectual factors - many of which are now recognised by the business psychologist. This is good news for those who want to understand what drives entrepreneurs to create businesses, and also to organisations that wish to stimulate their 'talent within', or to capitalise on their employees 'intrapreneurial' potential.

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