



Decades of research have explored the habits of successful entrepreneurs. In truth, says **Mark Parkinson**, chartered occupational psychologist and principal member of the Association of Business Psychologists, a complex mixture of psychological characteristics lies behind entrepreneurial behaviour. So what are the common psychological factors behind their achievements?

The six traits of highly successful entrepreneurs

1 *Genetic chutzpah – the contribution of personal background*

 A first glance at the “Rich Lists” suggests that, in the “are entrepreneurs born or made?” debate, it does no harm to be a member of a wealthy family. Going to Oxford or Cambridge University also seems to give you a good start. But this is not the whole picture. A deeper trawl through the life histories of well-known entrepreneurs reveals that they come from a wide variety of backgrounds, and that success is independent of early privilege – financial or educational.

Psychologists have looked at background factors such as education, occupation of parents, previous business experience, age at start-up, gender, religion or immigrant status. The results show no entrepreneurial blueprint, although a successful parent (or some other impulse to succeed) may fire a potential entrepreneur’s imagination and self-belief. Entrepreneur-watcher Cary Cooper believes that many entrepreneurs are inspired by a caring parent or mentor. The majority, says the former BUPA professor of organisational psychology at UMIST, can also identify a significant “shaping” event in their childhood – bereavement at an early age is a common factor. And, of course, many entrepreneurs started with nothing apart from their wits and a burning desire to get on in life.

2 *Leader of the pack – family influences*

 Where do entrepreneurs fit in the birth order? Welcome to a statistical minefield. It’s commonly held that most entrepreneurs are first-born children. Certainly there’s plenty of research to show that successful female entrepreneurs tend to be eldest daughters. This is the “leader of the pack” argument. Later-born siblings, however, are often more rebellious, open to innovation and, thus, entrepreneurial. If that’s the case, why is the most successful entrepreneur in history, Microsoft chairman Bill Gates, a middle child? According to the statistics, he should have been ill-equipped to run a corner shop, let alone create a global business empire. My conclusion? Entrepreneurs are influenced by their origins and the environment in which they are raised, but this is just one factor behind their unusual drive and determination.

3 *The magic bullet – personality types*

 On any list of entrepreneurial personality attributes, you’ll find: independent-mindedness; the desire to create something new; and perseverance. The three big factors that are fundamental to the entrepreneur are: a high “need for achievement”; an internal “locus of control”; and “risk seeking” behaviour. “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 face challenging, rather than routine tasks. Locus of control is about the degree to which people perceive that they can influence the events in their own lives. 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.

4

The controlled gambler – appetite for risk

 It's easy to believe that entrepreneurs are big risk-takers. This myth has been fuelled by scores of autobiographies playing up the authors' willingness to gamble everything on a hunch.

The truth is quite different. Entrepreneurs may take bigger risks than the rest of us, but they are calculated risks. These risks are also bearable because many entrepreneurs have a high "tolerance of ambiguity": they are good at coping with open-ended situations and can deal with uncertainty.

The latest view of entrepreneurial risk-taking is that entrepreneurs actually take on risk as the last resort. Entrepreneurs prefer to apportion risk among lenders, suppliers and even employees.

Entrepreneurs are themselves often the biggest risk to their business. In their desire for independence and intolerance of detail, many are incapable of running businesses. In a small enterprise, the entrepreneur can manage everything personally; this isn't possible when the business has grown to a certain size. Management conflict ensues because there is a fundamental difference between overseeing a large, stable business (more bureaucratic, more people, more paperwork, more processes) and running a small growing company.

5

Think yourself rich – thought processes

 My own research has revealed some distinct entrepreneurial thought processes.

Take their approach to overcoming mental blocks.

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." In reality, past luck has no effect on future winnings. Successful entrepreneurs seem to recognise this and genuinely believe that you make your own luck. So successful entrepreneurs seem to make fewer errors based on the probability of events; and the best know exactly when to quit and start again.

Other conclusions: the more innovative the person, the broader their idea base. And true innovators look for differences, while imitators look for similarities. This explains entrepreneurs' open-mindedness and their willingness, at times, to think the unthinkable.

6

Wiggly thinking – how entrepreneurs think

 Entrepreneurs are often innovative, versatile people who enjoy a challenge. Through psychological techniques such as cognitive process profiling, we can gain a unique view into their problem-solving and decision-making style. This is far from linear, indeed it is indirect and exploratory, or "wiggly". This capability is central to business success, because the sustainability of a venture relies on an entrepreneur's ability to learn and develop while a business is growing.

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INCREDIBLE JOURNEYS

YOU LEARN MORE ABOUT YOURSELF BY BEING AN ENTREPRENEUR, SAYS KEITH WILLEY



For some entrepreneurs their journey starts in the schoolyard and leads to business success when they are still in their twenties. Such people often become role models, beloved by governments and business institutions for their value in inspiring others with a "can do" attitude.

However, the "sweet spot" in terms of beginning entrepreneurial activity lies in the thirty-somethings. The first step in entrepreneurship is opportunity identification; this usually happens

after an individual has worked in a particular field for a certain time. In the classic scenario, the entrepreneur-in-the-making works for a firm that becomes aware of a new opportunity but doesn't want to exploit it. So the entrepreneur does, drawing on his or her own market knowledge. Thirty-somethings generally have contacts they can draw upon to help build the supporting team. They are also more likely to have the basic resources required (a house that can be remortgaged, savings that can be tapped) to get the business started and persuade banks or other backers to support it.

Not everyone, of course, will be prepared to put the family home on the line. Some will decide that the risks are too great. Others will be happy to build a lifestyle business, rather than one that could become truly great.

For those that do embark on the entrepreneurial journey, monetary rewards are not necessarily the most important drivers. If someone were to ask me why they should take this path, my answer would be: for reasons of self-actualisation. These journeys are richer and more challenging than those of any salaryman. The opportunities for self-development are great. Most entrepreneurs would say that they learned more in one year of running their own business than they would have in five years with an employer.

Most entrepreneurs that I have worked with at the London Business School seem to have a fairly broad view of their role in the world. They place importance on philanthropy and on encouraging youngsters. This may be a direct result of what they have needed to do to get their businesses going. For example, many entrepreneurs will find that nurturing and training young people is essential for their success. They may lack sufficient resources to be able to employ experienced personnel in the early days, making them rely on young, raw talent instead.

As an entrepreneur's business develops, so self-development continues. The original business model may need revising or reworking altogether. There may come a point when the business needs to be run by an experienced management team, yet luring these people away from larger, more established businesses can be difficult. The entrepreneur may struggle to turn the business model into a truly scalable one; the model may work in a modest form but be unworkable on the hoped-for larger scale. Other challenges can arise when the business is moving from its early stage, when there are no rules or procedures, to one where "good" bureaucracy is required to keep things on track and maintain a necessary degree of control.

As an entrepreneurial business develops, it's helpful for the entrepreneur to have an understanding of growing business models. They can more easily benchmark their business and see more clearly the next challenges on the horizon. Entrepreneurship cannot be taught, but entrepreneurial management skills can be. Whether entrepreneurs emerge in the school yard or later in life, they can all benefit from enhanced business understanding and a potentially smoother journey on the road to business fulfilment.

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