
Attributes of Successful Entrepreneurs.

January 2003

By Peter T Gow

This article looks at the attributes of successful entrepreneurs.

Main Points in this article:

- 1 With the wide range of potential opportunities available, many different types of entrepreneurial individuals succeed.
- 2 Leading, motivating and directly managing other people is a key attribute for success.
- 3 The opportunity to generate exceptional financial returns is a key driver for most entrepreneurs.
- 4 Entrepreneurs with high critical and abstract reasoning skills have the ability to generate creative solutions.
- 5 The ability to learn and change is critical for success.

Entrepreneurs are responsible for generating business ideas and successfully building companies, both small and large.

Understanding the attributes of a successful entrepreneur is sometimes shrouded in myth.

Entrepreneurs seem to radiate energy, vision, talent and a very strong determination to succeed.

Unfortunately, a lot of their new ideas or new ventures won't succeed.

What then are the attributes of a successful entrepreneur?

The answer to this question is not readily apparent. With the wide range of potential opportunities available, many different types of entrepreneurial individuals succeed.

Defining Entrepreneurship

Before looking at the attributes of a successful entrepreneur, we need to define the word "entrepreneur".

An entrepreneur doesn't refer to the "get rich quick" personalities of the 80's or the "up and comers" that created companies during the internet boom that were "built to flip", rather than "built to last".

Although the Australian perception of an entrepreneur is different to the American perception, it is useful to look at the offshore literature to gain a perspective on entrepreneurship.

Howard H Stevenson in his article, A Perspective on Entrepreneurship, (Harvard Business Review) suggests that "entrepreneurship is an approach to management that allows the pursuit of an opportunity without the regard to the resources currently controlled".

Under this definition, entrepreneurship can be present at all stages of a company's development and the resources do not necessarily have to reside within the company.

What sort of attributes defines entrepreneurial activity?

Since entrepreneurs come in all shapes and sizes, many different sorts of successful entrepreneurs will emerge because of the wide range of opportunities. The challenge is always finding the right fit between the individual and the opportunity.

Entrepreneurial Attributes

The published material describing the key attributes of entrepreneurs is fairly broad. As a result, this article focuses on the five main attributes that reflect the essence of a successful entrepreneur.

The five key attributes are:

- Managing People
- Power and Influence
- Commercial Focus
- Multi-focus Approach, and
- Action Orientation.

Managing People

Managing people is a key attribute which focuses on leading, motivating and directly managing other people.

One of the important factors contributing to success in this area is the ability to recruit the right people.

When a start-up company commences business, the people resources are generally very limited. Funds aren't available to hire the best in the market. It is also very difficult to attract star performers away from stable and highly paid positions.

However, as the business grows, more experienced and capable people are required. The opportunity to upgrade your talent usually arises as a result of strong financial performance, or due to the injection of new capital.

Several prominent CEO's of growing companies have used the capital raising event to replace or fill gaps in their executive management teams.

Investors focus on the depth and experience of the management team as part of their investment due diligence process.

The myth of the entrepreneurial hero at the top of the hierarchy has been somewhat replaced with the development and management of the entrepreneurial team. A team approach draws on the talents and creativity of a range of people.

When a company is growing quickly, the quality of the team will decide its future success.

How does the entrepreneur manage in this type of environment?

Firstly, the entrepreneur needs to be adept at using the skills, talents and ideas from everyone in the company.

Secondly, clear communication and close working relationships play a vital role. Transparency and clear communication allows all employees, as well as external providers, to be fully appraised of the company's objectives. The entrepreneur needs to be the main missionary promoting the company, telling others what it is doing and where it is going.

Maintaining close relationships extends beyond the company to suppliers, customers and financiers.

The role of the entrepreneur changes over time, from "doing it all" during the start-up phase, to the change catalyst when the company is fully established and generating sustainable cash flows. Delegation and direction setting, team building, and coaching are also required as the company develops.

Maintaining the people commitment through the different stages of growth requires the entrepreneur to continually change and learn new skills. Research suggests that this learning process can be accelerated through mentoring or coaching.

How flexible does an entrepreneur need to be when dealing with people and solving conflicts? The entrepreneur needs to be flexible, fair and deal positively with the people issues.

Power and Influence

One of the key drivers for entrepreneurs is the authority to make things happen.

Autonomy and quick decision making are a large part of the entrepreneurial identity, but it entails taking some risk.

Most decisions may prove to be the right ones, but wrong decisions may have serious implications. The decision making risk is far higher in the earlier stages of a company's development.

As the company grows, more complex issues require the decision maker to have a broader range of experience. Entrepreneurs must continually tap into this wider experience to be successful.

Research suggests that having access to experienced mentors or business coaches plays a key role in dealing with complex decision making.

The ability to influence, motivate and lead others, both inside and outside the company is critical.

Entrepreneurs need to be able to influence other parties and secure access to critical resources without these resources being physically acquired. Developing and influencing others is a key attribute of entrepreneurs.

Commercial Focus

The opportunity to generate exceptional financial returns is a key driver for most entrepreneurs. It is just as important for investors too.

Entrepreneurs need to fully understand the financials of the business. If the company is not at breakeven, the entrepreneur needs to have clear strategies to achieve profitability and generate sustainable cash flows.

Strong financial acumen is an important factor in success.

On the other hand, the failure to earn satisfactory returns eliminates many funding options and impacts the company's ability to secure the right talent and gain access to critical resources.

The message is clear: grow revenues while carefully watching margins and costs.

Some successful entrepreneurs arrange their affairs and work without salaries for up to a year while establishing their companies.

This allows the company to operate with a much lower cost base.

An approach such as this clearly demonstrates the commitment of the entrepreneur to the business.

The entrepreneur's longer term financial objective is then strongly aligned to the longer term success of the business.

Entrepreneurs also need to consider their exit strategies.

How can they tap into the value created in the business? Is it through an IPO, trade sale or management buyout?

By focusing on the exit, the entrepreneur also aligns his/her financial objectives with those of the investor.

Multi-focus Approach

Entrepreneurs juggle many activities associated with products, suppliers, alliances, employees and investors.

These activities generate issues at many levels that need to be addressed. In some cases, the information surrounding these issues is less than perfect, with no time available to properly collect or analyse it.

Entrepreneurs with high critical and abstract reasoning skills have the ability to generate creative solutions to these issues and possibly identify new opportunities.

The ability to handle variety and pick up new information and ideas quickly, together with responsive reasoning, contributes strongly to entrepreneurial success.

Action Orientation

Entrepreneurs need to be action orientated and be prepared to take the initiative. It may mean setting a new industry standard or

establishing a trade association to lobby for regulatory changes. It may also relate to inspiring or coaching others, monitoring performance, or transforming the business from one stage to the next.

Entrepreneurs need to deal with issues as they arise or they may jeopardise the ongoing survival of the business.

If an employee needs to be fired, or if a key contract is losing money, the entrepreneur needs to take the initiative and deal with the matter.

Initiative also extends beyond the operational aspects of the business to the personal development of an entrepreneur. Have they actually acquired any new skills over the last twelve months?

Entrepreneurs generally enjoy taking on new skills. The ability to learn and change is critical for success. Mentoring and coaching have been found to accelerate this learning and change process.

Entrepreneurs also understand the value they bring to the company, as well as the value created by their relationships.

Research suggests that successful entrepreneurs have the ability to tap into the skills, talents and ideas of others.

It is not easy taking a company to the next stage of its development. Deeper and different skills are required as a company grows.

Possessing the five key attributes of managing people, power and influence, commercial focus, multi-focus approach, and action orientation enhances an entrepreneur's chance of success. The alignment of skills with the opportunity is also critical for success.

Peter T Gow is the Managing Director of Creative Capital Pty Limited. He founded Creative Capital to accelerate the learning skills of entrepreneurial CEO's and develop their expertise in capital management, business and strategic planning, cash flow management and market research and analysis. Peter has over 12 years of experience in working with growth companies and has been involved in the completion of over 30 financings in the software, manufacturing and medical areas. His expertise covers company evaluation, strategy and market analysis, capital raising, transaction structuring, documentation and completion. Peter has also set up several venture capital funds for a major financial institution and appraised a range of venture capital managers.

Creative Capital Pty Limited

Peter T Gow

61 412 235 455

petergow@creativecapital.com.au