

A black and white photograph showing a close-up of a hand holding a speckled egg over a nest of sand. The hand is positioned as if about to place the egg into the nest. The background is blurred, showing what appears to be a person's face and hair.

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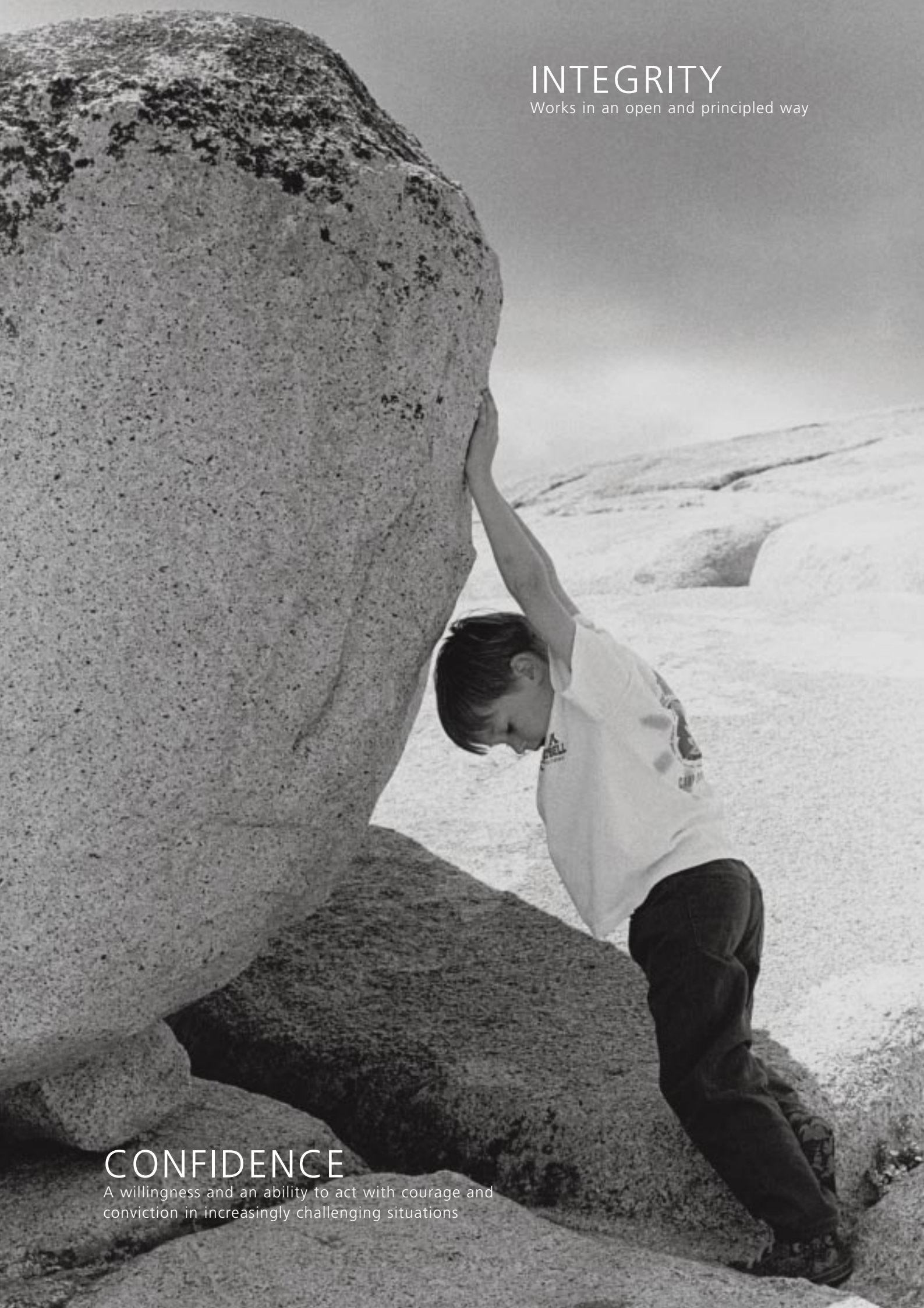
WHAT MAKES A
GREAT ENTREPRENEUR?

INTEGRITY

Works in an open and principled way

CONFIDENCE

A willingness and an ability to act with courage and conviction in increasingly challenging situations





INITIATIVE

Deals with the here and now and creates opportunities for long term future growth

SELF DIRECTION

Recognises emotions and feelings and organises their life to maximise positive experiences



COMMITMENT

Aligns self with the vision and goals of the business and challenges others to do the same

SELLING

Persuades, influences or sells to others using a number of different arguments and able to articulate their vision in a powerful and memorable way



DIRECTIVENESS

Holds others accountable and addresses performance when it does not meet expectations

DRIVE & DETERMINATION

A relentless drive to achieve world class results, taking risks to make things happen and constantly measuring performance outcomes



LEADERSHIP

Leads and directs others to meet their full potential,
rewarding talent and sharing success

ENTREPRENEURSHIP IS IN THE AIR

Throughout the world governments are engaged in systematic efforts to boost enterprise. In the UK there is clear evidence of a sea change in attitudes towards enterprise and entrepreneurs; entrepreneurial role models are celebrated, aspiring entrepreneurs are given the opportunity to raise money on TV and league tables ranking a whole range of entrepreneurial businesses are published regularly. But what makes entrepreneurs tick?

This question has been the centre of much entrepreneurial research for many years; yet the limitation of much of this work has been its rather narrow focus on the personality attributes believed to characterise

entrepreneurs and the associated difficulty of distinguishing between those characteristics that are the hallmark of entrepreneurs from those associated with successful senior executives. A particular value of *What Makes a Great Entrepreneur* is its focus on competencies, rather than personality traits, and the use of these defining competencies as a basis for distinguishing between entrepreneurs and successful executives. The wealth of interview data sheds rich light on the question of what makes entrepreneurs tick and what sets them apart? The report brings to life the reality of entrepreneurship.

Perhaps common to all entrepreneurs is the desire to change things. This

desire may not always be 'reasonable' but it may be the very unreasonableness of entrepreneurs that is the motor of change. Perhaps George Bernard Shaw perfectly encapsulated the essence of entrepreneurship.

"The reasonable man adapts himself to the world. The unreasonable man persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man."

**Professor Michael Hay,
Director of the Foundation for Entrepreneurial Management,
London Business School.**

Michael is responsible for all entrepreneurship activities at the London Business School. He co-directs the Global Entrepreneur Monitor which examines levels and determinates of entrepreneurial activity in over 30 countries.

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“We know that the nature of genius is to provide idiots with ideas twenty years later.”

Louis Aragon, French Poet and Author

Do you want to unleash creativity in your organisation?

Have you been losing your brightest and best innovators?

Are you trying to decide whether to back an idea or a business?

Is there a part of your business that might flourish, given greater autonomy?

Are you wondering whether you have got what it takes to be a successful entrepreneur?

Have you been thinking about how to balance the leadership team in a start-up or VC-backed business?

This study gives some critical insights into the behaviours of successful entrepreneurs and the conditions that help them to focus their energy and passion.

Whether you are starting your own business, or making investment decisions, or seeking to foster entrepreneurial innovation within a larger business, the picture we paint of successful entrepreneurship will help you to get more value from your investment of time, energy or capital.

It is quite healthy to think occasionally about wanting to change the world. However, few of us can say, hand on heart, that we've actually done anything about it. We all have our own very good reasons why we're comfortable where we are, doing what we're doing. Why rock the boat?

Good question. One that we have put to a group of high-profile individuals who, in a small or not so small way have harnessed their passion and their determination to change the way the business world works and to achieve phenomenal success in doing so.

Who are we talking about? Rebels? Revolutionaries? Pioneers? Probably all of those things. These people are successful entrepreneurs.

Take an individual like Robin Saxby, of ARM Holdings. He embodies the very best entrepreneurial characteristics, including the ability to spot future potential; to turn simple concepts into huge profits; to tackle and take advantage of long term opportunities; to push out the boundaries and create the conditions for success; to invest heavily in the future; to achieve the impossible.

We wanted to know what makes people like Robin so special, what makes them tick, what they do, say, think and feel that makes them successful. And what makes them get out of bed seven days a week at some unearthly hour in the morning, with the kind of sustained energy and enthusiasm that would exhaust most people just thinking about it. And we thought that you might want to know too.

Our research has important implications. The competencies identified provide huge potential for the financial community to raise the quality of their investment decisions by making tangible, the intangible characteristics of successful entrepreneurs. It will also help senior executives develop a more entrepreneurial culture within the existing business: or to set up a new one, to carefully balance the requirements of the entrepreneurs they need to recruit, with those of the organisation itself.

“What is passion? It is surely the becoming of a person.”

John Boorman, British Film Director

Entrepreneurship is at the top of the social, political and economic agenda. It has become a fashionable buzz word and yet in the UK it's certainly more about talk than action. For example, the US register proportionately more patents than the UK. Despite the interest and the economic arguments, the UK is not to be found amongst the front ranks of entrepreneurial activity. Yet.

In a recent White Paper on Competitiveness, the Government had this to say: “Entrepreneurship and innovation are central to the creative processes in the economy, to promoting growth, increasing productivity and creating jobs. Entrepreneurs sense opportunities and take risks in the face of uncertainty to open new markets, design new products and develop innovative processes. In the knowledge-driven economy this process is critical in large and small businesses alike.”

It is, of course, all very well saying that. But what is an entrepreneur? Who is an entrepreneur? How do you recognise an entrepreneur?

To find the answers to these questions, we interviewed a total of 17 successful entrepreneurs from a range of industries and countries who: had been responsible for establishing their business, and it had grown at the rate of 100% each year for the past three years or was now at least £100m pa turnover. We compared them to 18 business leaders and senior executives. The interviews were transcribed, yielding approximately 1200 pages of detailed text and more

than 1000 data points. These interviews were then analysed for competencies and behavioural themes by trained expert coders using Hay's standard definitions of competencies. As a result we identified nine competencies that can predict, with about 80% accuracy, which individuals have the characteristics of successful entrepreneurs of the future.

What our interviewees told us showed them to be people who are driven and focused, with a huge capacity for work. They also revealed themselves as individuals with high levels of integrity and a democratic and generous approach to sharing success. They had an eye for developing a business that would stand the test of time and that would contribute to the local community.

But what makes them truly outstanding is the passion they have for what they are doing. That passion feeds their success, as well as providing the foundation for the other competencies we've identified.

Our research has important implications. For example, the competencies we identified will enable venture capitalists to identify potentially successful entrepreneurs and their investment-worthiness with greater accuracy. It will also help organisations keen to develop a more entrepreneurial culture, or who hope to recruit entrepreneurs into their business, or who need to establish a new business division.

We have talked to entrepreneurs from the broadest possible cross section of industries including: software, consulting, telecommunications, catering, financial services, pharmaceutical, retailing over the internet, sports and leisure, and automotive sales.

All organisations (with the exception of the most recent dot.com start-ups) had been established a number of years and had a proven track record of success. The organisations established by our entrepreneurs consistently delivered outstanding performance results – 45% average compound sales growth over the past four years.

Our entrepreneurs ranged in age from 32 through to late 60s and age was certainly not a differentiating factor in the nature of the responses. All but five were university educated and only 2 of the 17 came from what might be described as 'less privileged backgrounds'. It is neither appropriate, nor accurate, to assume that lack of money was the major driver of our entrepreneurs.

Only three of our longer established entrepreneurs had only ever worked for themselves and many were able to demonstrate successful early careers working for others.

So what made them set up on their own?

"Living inside the System is like riding across the country in a bus driven by a maniac bent on suicide."

Thomas Pynchon – US Novelist, from *'Gravity's Rainbow'*

Before we asked specific questions about their personal business histories, which would be the foundation for describing their way of working, their unique qualities and their competencies, we asked them to describe how they saw themselves.

Their responses revealed startling similarities. 'Individualistic', 'competitive', 'driven', 'workaholic' and 'unconventional' were some of the words most often used. What came across was the feeling that they didn't quite fit the mould or belong in the established system. If they were going to realise their ambitions and be a success in their own eyes rather than in anyone else's, they were going to have to do it in their own way, on their own terms and in their own space.

Each demonstrated an infectious belief in their own ability to make things happen and work. Success was, and indeed is, regarded as inevitable and failure not an option.

The people we spoke to aren't people who talk about doing things. They just do them. Why does someone climb a mountain? Because it's there.

Tim Connolly and Mark Smith were both on the partnership track with leading accountancy firm KPMG before resigning to start up Partners for Change. Since establishing Partners for Change in September 1994, the organisation grew 100%

per annum in each of its first five years and has projected turnover for the year 30th June 2001 of £13 million.

Individuals such as Robin Saxby of ARM Holdings, Frank Brake of Brake Brothers, Mark Hunter of Axon and Hans Snook of Orange all gave their time to the research as did new economy entrepreneurs such as Brent Hoberman of lastminute.com and Sherry Coutu of iii.

David Lloyd, formerly Britain's leading tennis player and now owner of one of the UK's largest sport and fitness organisations, sums it up:

"I had to be in control of my own life, I had to do my own thing, be it a tennis player, be it in business. I don't think I'm built to take orders from other people. I'm not autocratic in running the business but I do need to be able to make my own decisions, be they right or wrong and live by them. I think that was something I always did, and always wanted to do."

“It is our choices, Harry, that show what we truly are, far more than our abilities.”

J.K. Rowling - from *'Harry Potter and the Chamber of Secrets'*

Doing only what you choose to do, doing what you're good at, doing your own thing. Isn't that a little bit selfish? Maybe, but it's the focus, total self-belief and self-knowledge that goes hand-in-hand with that thinking that sets the entrepreneur apart.

It will come as no surprise to hear that entrepreneurs take huge personal risks and make extreme sacrifices to get their business off the ground. They also have a tremendous capacity for work – often working 16 to 18 hours a day for 6 or 7 days each week - and this doesn't tail off when the venture is successful.

Although these successful entrepreneurs are commercially astute, financial goals were not the driving force. Nor was making money the end goal. For them, money is an important means of measuring performance and success. Working long hours was about personal motivation, fulfilment and satisfaction in the long term. Entrepreneurs are not out to make a fast buck; they want to invest in their company's success, in its future and in its people - if they are the right people.

People management is viewed with a refreshingly childlike simplicity. Entrepreneurs are inspirational leaders and influence others through their energy, enthusiasm and their vision.

They do not, however, suffer fools gladly and will sever even long term ties with people if their performance is not up to scratch. That's not to say they are ruthless or impulsive.

Entrepreneurs are reflective, play to their strengths and avoid aggravating situations. They work in an open and highly principled way and are simply hugely disappointed when others don't play by the same rules. They build loyalty and commitment and are quick to spot potential. For those who do perform well, entrepreneurs reward loyalty and share success. They prefer to be surrounded by people who are like them.

Competencies

So we've interviewed and we've listened and we've assessed and measured - and from this work we've been able to identify the nine most significant competencies which drove success and which characterised these individuals as entrepreneurs, distinct from different kinds of business leaders.

These are:

Confidence
Integrity
Self Direction
Initiative
Selling
Commitment
Drive and Determination
Directiveness
Leadership

What is a competency? It's much more than simply an aptitude, ability, or skill that has been learned. We define and understand it as an underlying characteristic that is related specifically to outstanding performance in a job. Underlying characteristics mean that the competency is a fundamental, deep rooted and enduring part of a person's personality – part of who they are, what they do, and how they do it.

If we can better understand those competencies and the attitudes, beliefs and motives which drive that individual, we can certainly appreciate their achievements more and capitalise on the positive impact they create.

Entrepreneurs are quite possibly everything you thought they were, and everything you thought they weren't.

Competencies

Confidence

A willingness and an ability to act with courage and conviction in increasingly challenging situations

Not surprisingly, practically all the entrepreneurs interviewed demonstrated high levels of self-confidence. This confidence and inner belief enables them to carve out an independent role for themselves and their business, and enables them to commit to actions where others would prefer further information or more time to think things through. The flipside is that they may at times appear stubborn.

This confidence is linked with passion, and with the excitement that any new business venture can create. It is a go anywhere, do anything attitude and it can be infectious.

"What I now tell people, if they ask, what they should do to be successful, is: Do what you want to do, do what you like, do something that you feel passionate about, do something that you feel interested in. Don't do a job just to do a job. And don't do a job because you think it's going to make you money. Do it because you like to and do it because it makes you feel excited and vibrant."

Hans Snook, Orange

Integrity

Works in an open and principled way

Well over three-quarters of those interviewed displayed high levels of integrity. This means that they are prepared to stick to their principles, even when that might mean taking a financial loss.

Entrepreneurs work in an open and highly principled way and are hugely disappointed when others don't play by the same rules. Their values guide how they conduct themselves on a day-to-day basis. They often make assumptions that others work in the same way, but are surprised and hurt when colleagues 'break' their own unspoken rules.

The entrepreneur fosters a culture that is open and flat, the sort of culture where ideas are freely expressed, mistakes are openly admitted and people are rewarded based on their individual contribution. Standards are uncompromisingly high and they expect their people not only to meet but also to exceed those standards.

Self Direction

Recognises emotions and feelings and organises their life to maximise positive experiences

Entrepreneurs reflect on situations and how they feel about things and this enables them to play to their strengths and avoid situations or individuals that aggravate them. Half of those interviewed displayed a strong sense of self-awareness which allowed them to recognise situations or people likely to arouse certain, particularly negative, feelings.

They are able to look ahead and to move on quickly, not dwelling on the things that haven't gone well. Most importantly, they are able to channel their energies into areas which are more interesting or rewarding. Nearly all view corporate life as a huge compromise and one that they are not prepared to make.

Competencies

Initiative

Deals with the here and now and creates opportunities for long term future growth

Entrepreneurs take a long term view and are not out to make quick buck. Contrary to popular belief, our entrepreneurs were more than happy to invest in their businesses and were continually scanning the marketplace for opportunities to expand their operations. It is in their make up to grow, to change or even to diversify if the time and the opportunity are right.

None of our entrepreneurs were following others into the market. All were first to market with their idea. They had an uncanny knack of spotting the 'hot issue' and unlike many others, saw this issue through to fruition. Their ability to turn what are often quite simple ideas into profits is usually based on their own personal or business experiences.

A simple experience like trying to negotiate a late travel booking at a reduced price was enough to inspire Brent Hoberman. His initiative transformed what many people looked upon as a frustrating necessity – doing it all at the last minute, into a business that literally solved that problem – *Voilà*. lastminute.com

Selling

Persuades, influences or sells to others using a number of different arguments and is able to articulate their vision in a powerful and memorable way

Entrepreneurs don't necessarily use highly sophisticated influencing tactics but influence through their energy, enthusiasm and vision. Their sheer willpower and commitment mean they will persist with an argument until they are able to convince others.

"I wanted some money, I sat in the guy's kitchen until almost 3 o'clock in the morning. He said something to me and I knew as soon as I turned that around and said it in a different way back to him, he'd sign, so I did and he signed."

Hans Snook, Orange

Entrepreneurs are highly effective communicators, they can hit the right note with what they say and hit the spot with the way that they say it. They tell it like it is. They sell it like it is.

Commitment

Aligns self with the vision and goals of the business and challenges others to do the same

Entrepreneurs have a tremendous capacity for hard work – often working 16 to 18 hours each day for 6 or 7 days a week. Ask Sherry Coutu. During the first four years of establishing iii Sherry had absolutely no personal life, but she didn't seem to notice!

"I was very excited about what I was doing, and I believed in it so much that I wanted to work that hard." She hardly saw her friends and social commitments fell by the wayside. "I'd be invited to a party and say I'd go. But I'd look at the time and it would be 2 a.m. and I'd realise that I'd missed the party." This was a Saturday night. (From flametree.co.uk)

Sherry Coutu, iii

Entrepreneurs commit themselves to their business heart and soul, but rather than resent the personal sacrifices they have to make, they are energised and excited by the potential opportunity of their venture.

They know where they want to go and what they want to achieve and they energise people to go with them, to be a part of the venture and to share in its success.

Fifty years down the line and Bobby Day still feels 'guilty' when not working each and every Saturday.

Drive and Determination

A relentless drive to achieve world class results, taking risks to make things happen and constantly measuring performance outcomes

Entrepreneurs take huge personal risks in getting their business off the ground. Sacrifices, such as taking on personal loans or second mortgages, were not uncommon, with the business coming before everything else, including family and friends. Nearly half of the entrepreneurs questioned, had taken risks, including personal loans, to grow their businesses - but these are seen less as risks as the individuals are so sure of the success of the venture.

"I went in with a dream and there was nothing in the country ... and it was difficult to persuade people to believe you. The only thing going on my side was the fact that I put £100,000 of my own money, which was everything, my house, in the pot."

David Lloyd

Entrepreneurs are not, however, naive or without commercial know-how. They make decisions after weighing up the costs and benefits and deciding what makes best commercial sense. Not academic or given to research, they can and will work their way methodically through a spread sheet or a set of figures to pinpoint loss making areas or highlight areas for improvement. They love to measure progress and continually measure their business's performance against the best in industry.

"Although many of us at ARM have now achieved a position of personal financial security, it is the non-financial achievements that are the most motivating and satisfying."

Robin Saxby, ARM Holdings

Directiveness

Holds others accountable and addresses performance when it does not meet expectations

Entrepreneurs will not tolerate poor performance and will sever long term ties with individuals for the good of the business. Their strong commercial sense, leads them constantly to monitor performance so that they can identify areas where performance can be improved. They are competitive and will set up conditions that create a challenging rather than complacent environment.

Of those questioned, the majority were highly directive. Nearly half showed it at the highest level, and were likely to monitor people's performance very closely.

"I used to display it on the wall how all the technicians performed, who did how many hours and what their efficiency was. I was trying to wind them up because no one wants to always be on the bottom and from my point of view if it's the same one on the bottom, I don't want him."

Bobby Day, Alan Day Motors

Leadership

Leads and directs others to meet their full potential, rewarding talent and sharing success

For those who do perform well, entrepreneurs will reward loyalty and share success. Successful entrepreneurs recognise the importance of committed staff and are willing to share the success of the business with their people. They are born leaders in the sense that they can inspire others to follow them and can create a working culture and environment in which success is recognised and rewarded.

Entrepreneurs look beyond the obvious choices when identifying new talent and are prepared to invest in others to ensure their long term success. Not surprisingly, over half of the entrepreneurs interviewed were shown to be good at spotting talent in others.

"There was a young man in the parts department who, whenever I used to go down there and say who did that, would have something on the wall and he was selling or doing some special deal and I thought he's good. He was always thinking about what to get up to and so I put him in charge and it's the best thing I ever did."

Bobby Day, Alan Day Motors

Case Study 1

From start to FTSE 100 in ten years

Robin Saxby has a long and successful history in business. By far his biggest success to date has been as chairman and CEO of ARM Holdings. Over the past ten years he has built an international company, which has been floated on the London Stock Exchange and Nasdaq, and currently has a valuation of greater than £3 billion and employs more than 650 people worldwide.

The company's designs for low-cost, high performance microprocessors can be found in many mobile electronic devices including mobile telephones, PDAs, games consoles, and digital cameras, as well as in storage, security and networking devices

Robin is a serial entrepreneur by nature. At the age of 13 he had a thriving business sideline, carrying out television repairs after school for friends and colleagues of his father. While studying electronics at university, he ran some of the best and most profitable dances in the university and with the profits equipped each block of the university hall with a washing machine.

Early roles as a design engineer, sales engineer, and finally, as managing director, provided Robin with invaluable experience in the world of high-tech. Robin's entrepreneurial flair allowed him to establish ARM as a force to be reckoned with and his current role is a mixture of managing high-level partner relationships, investor relations, external speaking,

setting future strategy and acting as a 'catalyst' within the business.

"As the company is growing so fast you've got to continually work on the organisation and I'm a major catalyst in changing and reshaping the organisation."

Robin demonstrated a number of our entrepreneurial characteristics including an ability to spot future potential and take advantage of long term opportunities. The secret of ARM's success is in the philosophy of its founders. They regard it as an intellectual property company, licensing the design of microprocessors for chips and, perhaps most essentially, developing an intelligence that permits the company to be at the forefront of the design market and a world leader in sales management.

Robin likes to "use the technology in order to understand what the needs of the consumer are" and finds technology hard to resist. He recently took three days off to install a complex music system throughout his house.

Robin has created a culture at ARM that reflects his own values. "One of the things we've got here is a healthy environment where people can make mistakes, where people can be open, where we can treat each other as human beings and that is very, very important."

The future for ARM looks positively buoyant with Robin and his management team continuing to push out the boundaries and creating the conditions for success. His confidence is infectious: "We've done the impossible for the last ten years, why can't we continue?" He is also investing in the future success of his business. "We're focused on the architecture of the future, the R&D, where the world is going, we'll get there ahead of anybody else and bring all the best players along with us because they'll need our technology."

Case Study 2

Connecting with Customers

Toni Coccozza, at 37 years old, has established one of the fastest growing companies in the UK. DP Connect Ltd, a UK based ITC recruitment solutions consultancy, last year turned over £20 million, employs 80 people and is continuing to outgrow competition in a market which has probably 40,000 jobs begging to be filled.

Prior to establishing DP Connect, Toni had held a number of senior sales positions in recruitment consultancies and magazine houses. She had become increasingly disillusioned with the style of management that existed in recruitment as well as the lack of professionalism of the industry. "It had forgotten that its staff are the most important asset you can have. Recruiters were getting a bad reputation like estate agents had in the 1980's. They were all trying for quick, sharp deals, running around in wonderful cars, charging silly money and giving poor service."

Toni felt that on her own she "would be self sufficient, could give a better service to the client and wouldn't have to play anybody else's game".

Toni demonstrates a pragmatic and people focused approach to business. When, earlier on in DP's development, she could not afford full time salaries, Toni set up a commission based

employment process to enable a new mother to work from home and be paid for the jobs she filled.

She builds loyalty and commitment in her team and is quick to spot potential. One of her first recruits, a 16-year-old first jobber, was recruited through a YTS scheme. Instead of teaching her fairly junior administrative tasks, Toni showed her how to be a successful sales consultant. She is still with her today after eight-and-a-half years, consistently DP's top sales consultant. "I believed in her and I gave her an opportunity, trained her, looked at it through her eyes. My whole style of management is telling them what's in it for them here, not what's in it for me."

Entrepreneurs v. CEOs

“The toughest thing about success is that you’ve got to keep on being a success”

Irving Berlin, American Songwriter

“Some people are born great, some achieve greatness, and some have greatness thrust upon them.”
That probably applies to both entrepreneurs and senior executives, so what are the real distinctions.

It’s clear that both have the competencies to make successful leaders. But while the entrepreneur, by the very nature of what he or she is doing, has to some extent to ‘go it alone’ and stand or fall on their own drive and initiative, the CEO has to demonstrate a much stronger capability to work successfully with others.

Entrepreneurs are more passionate, better risk takers, and more timely when dealing with performance issues. CEOs are generally better at involving others in decision making as well as ‘reading’ organisational politics and understanding others’ points of view.

Whilst 78% of the entrepreneurs interviewed displayed the highest possible level of drive and determination, only one of the CEOs displayed such a high level of achievement orientation.

Entrepreneurs, as might be expected, showed far higher levels of initiative. Displaying the highest level of this – looking over a year in advance to avoid crisis or create opportunity – was demonstrated by 60% of the entrepreneurs compared with only 17% of CEOs.

Time and time again entrepreneurs demonstrated a willingness to make personal sacrifices and commit significant resources. The CEOs were not necessarily put in a position where they had to put everything on the line personally, they did not demonstrate the same level of passion and commitment. Their focus was on raising performance but with less at stake.

Entrepreneurs manage the performance of others differently to CEOs. Where CEOs will demand high performance and expect compliance, entrepreneurs are often prepared to go that one step further, publicly and intrusively monitoring performance and dismissing people when necessary. This could well be underpinned by their strong value set - they despise waste and poor performance. Their action orientation also means that they spring into action faster than most.

The focus of the entrepreneurs is much longer term than that of our CEOs and other senior executives, well over a year in advance. This could well be because the entrepreneurs do not feel constrained by business planning processes and are in a privileged position – they are uniquely placed at the head of the business that they created and are completely in tune with that business, its goals and its future vision.

Whilst entrepreneurs recognise the importance of organisational politics and their existence, most chose to avoid it. The leadership approach of CEOs and senior executives demonstrates a better understanding of individuals and of organisations. CEOs and senior executives often demonstrate a greater understanding

of the political relationships within their organisations and how this affected the business. Or at least they paid more credence to its importance than did the entrepreneurs.

Entrepreneurs were often ‘genuinely shocked, hurt, bothered, disappointed’ by the actions of others, whereas CEOs and senior executives were typically better able to ‘read’ and understand others. More importantly, the CEOs expressed a desire to understand others and saw this as a necessary part of their role as a leader in the business.

The need to retain control over their business was a very basic characteristic of our entrepreneurs. Many of those interviewed described themselves as fiercely competitive and independent and although they were prepared to involve people in their business and share success, the end decision and the ‘control’ clearly remained with them. It comes as no surprise, therefore, that CEOs and senior executives demonstrated stronger skills at teamworking and co-operating with others, but entrepreneurs obviously could not succeed without a degree of reliance upon other members of the team.

What value does the research have for the budding entrepreneur?

“Opinions cannot survive if one has no chance to fight for them”

Thomas Mann - from *'The Magic Mountain'*

The individuals we spoke to are all fighters. They fight against convention, against bureaucracy and against established opinion. And they tend to win.

The guide to becoming a successful entrepreneur is based upon the competencies we have identified. But it is really who you are that will make your business what it is. If you are an aspiring entrepreneur, a useful starting point would be to assess your own competencies. Ask yourself: How do I measure up? What do I need to develop to be a successful entrepreneur? What do I want to fight for?

Dr David McClelland, Emeritus Professor of Psychology at Harvard University, founder of Hay McBer's research institute and one of the world's leading authorities on leadership and motivation, proved that entrepreneurial behaviours can be developed and that once these behaviours are developed, business performance improves.

Firstly, make sure your chosen field is something that really grabs you, something you believe in completely and can talk about confidently. Remember you will have to convince others it's a good idea and there will be some risk-taking involved! Know your stuff, know your market, know your limitations, and then go beyond them.

Take the initiative – if you don't do it no one else will! Or if it is a really good idea, if you don't take the initiative someone else might! Take the lead on issues and set a good example for any employees you might have and also to the investors.

Set goals and performance measures for your people so that you can assess progress. It's a give and take world so reward your employees when they do well (but only when they do well).

Be honest with yourself about how well things are going. Communicate closely with your employees and tell them if they're not up to scratch. They can either shape up or ship out.

Take care of yourself psychologically. You are the visionary, the leader. When things go right, make the most of it, feel good about it and use that to move on to the next challenge.

Beyond the competencies, there are practical skills that the entrepreneur needs to develop. There are 101 things to consider, including business planning, identifying and securing funding sources, pitching for business and the everyday nitty gritty things such as tax.

Above all, individuals must respect the huge amount of personal sacrifices successful entrepreneurs have made along the way and also recognise that success owes a lot to hard graft, determination and long hours as well as drive, commitment and a brilliant business concept.

What value does the research have for venture capitalists?

A recent article aimed at venture capitalists (VCs) and other financiers investing in new businesses stated that 'with markets more dynamic than ever, traditional valuation models alone are failing to provide information about the value of intangible assets'. These intangible assets, such as the management team and the calibre of the untested entrepreneur have proven difficult, if not impossible, for VCs to evaluate in the past.

The entrepreneurial competencies identified by our research provide huge potential for the financial community to raise the quality of their investment decisions by making tangible, hitherto intangible characteristics of successful entrepreneurs.

Our research will enable VCs to identify the potential to succeed of entrepreneurs with about 80% accuracy. We can help VCs to use the key competencies – drive and determination, commitment, confidence, initiative, self-direction, directiveness, selling, integrity and leadership – so that they make better investment decisions with a clearer view of the personal and management risks associated with the leadership of the entrepreneur. It would also level

the playing field for individuals who do not have a track record in setting up a business. They can be assessed and evaluated against the same competency criteria as their more experienced counterparts and granted or denied funding based on their aptitude and potential rather than just their previous experience, or lack of it.

Potential 'gaps' or problem areas may be identified by VCs and corrective action taken at a very early stage. For instance, if an individual is assessed as lacking skills in the competencies of directiveness and leadership (both people management competencies) there are obvious implications for the business. The management team will need to be supported by others who have strong skills in these areas.

Our outstanding entrepreneurs were supportive of their businesses over the long term and were not in it for a 'fast buck'. VCs need to determine the levels of commitment, drive and determination shown by the individual to reassure them that entrepreneurs will still be around over the long haul.

What value does the research have for the entrepreneur in a large corporate organisation?

In order to successfully 'add an entrepreneur' to an established organisation there needs to be some careful balancing between the competencies of the existing leadership and the entrepreneur, and the requirements of the entrepreneur and the organisation itself. The goals of the entrepreneur won't be compromised, but an agreement will need to be negotiated.

The first step is to align the goals of the organisation and those of the entrepreneur. The entrepreneur comes with a brilliant business concept and has to prove that the idea is a workable one. Ownership of the idea is so important to the entrepreneur that he or she is unlikely to compromise in any way. If you think you can change an entrepreneur's attitude or way of working once he or she is on board, simply because you are providing the cash, think again.

An entrepreneur has to provide a return on investment to venture capitalists and financiers in the same way as a CEO has to generate returns for the shareholder, but entrepreneurs need freedom to act and need to be left to pursue business returns in their own way. This requires some risk-taking and a leap of faith on your part. If you take the line that you've provided the cash so you should say how it is spent, it will create the same 'interfering management' culture that was the catalyst for some entrepreneurs to leave their previous careers and launch their own ventures. All you may get in return is a thank you and goodbye. Monitoring is expected, it just needs to be appropriate and not intrusive.

And then there is the balancing act between the entrepreneur and the new workforce. Entrepreneurs set challenging goals and world-class standards, which are useless unless the employees believe in them, follow them and try to achieve them. It's crucial to motivate the new workforce, encouraging them to 'buy into' the vision without alienating them in the process.

The culture of the new venture or spin-off is going to be really different from the 'mother' organisation. Make sure the employees are prepared for this.

The birth of a business is like any other birth - it needs 24-hour attention, feeding, nurturing and lots of love. People who are going to work for this new business need to understand the commitment and dedication that is needed, and this will be a lot easier if they have entrepreneurial interests themselves, want to learn new skills and broaden their business experience. They will be coming in at ground zero where they can have an immediate impact on company results and the formulation of work processes - this can be very appealing to a certain type of employee who might otherwise leave an established organisation where they can feel constrained, frustrated and unappreciated.

The excitement, the energy and the enthusiasm all have to be sustained as the pace of work will not slow down, if anything it will speed up. There has to be more than simply a great working atmosphere. An entrepreneur is always ready to reward those who

have contributed to the venture. A form of profit sharing or share options is a powerful motivator, but only if the venture continues to be profitable! The basis of performance measurement does not need to be profit itself but could instead be less tangible measures such as customer satisfaction and contribution to working practice.

Once the venture has expanded and become established then the competencies of the CEO move into play. This is the point when entrepreneurs can start to get itchy feet. The prospect of another new business idea and the adrenaline rush of starting again can often be too much of a temptation to resist. Some entrepreneurs can develop 'CEO-like' competencies such as more effective team working and stay on as the leader of that division. If the division operates successfully as a separate entity from the parent company then there is no need to bring it 'back into the fold' and alienate the entrepreneur. And the organisation itself can probably learn many lessons from the venture and potentially apply them internally to promote more entrepreneurial and creative activity within the company.

What the research tells us about how entrepreneurs work with others in their team

In the fast-paced world of innovation and growth, everyone associated with a new enterprise is likely to be working at full stretch. If you are lucky, this will feel like a lot of fun. But there will be times when things do not go well and stress levels rise. That's when people 'revert to type'. They behave the way that feels most natural or comfortable to them, given the situation. They tend to be less thoughtful about the way they behave.

Now we all have some flaws either of capability or character, and entrepreneurs are no different. So how do you get the right balance in a team? How do you create a vibrant, cohesive, mutually supportive team that will survive the tests of time and unforeseen events? How do you avoid errors of judgement under pressure?

The most important thing you can do is to reflect honestly on how you stack up against the nine critical entrepreneurial competencies. Where are your strengths; where are your weaknesses? Does your chief operating officer or chief financial officer have balancing characteristics? These are the things that potential investors will be asking themselves, because they know that one of the chief causes of business failure is the inability of leaders to control their impulses under pressure. Successful executive teams help each other to retain their poise.

The role of the entrepreneur over the long run may change in visible character, but essentially it involves

managing the conditions that allow the other people driving the business to succeed: a clear and challenging direction, a well-designed structure, people who pay attention to the thoughts and feelings of their colleagues, an organisation that supports them, and coaching and development advice.

Because the leadership team has to trust that they are all committed to a common, interdependent goal, the entrepreneur needs to work with them to establish a relatively enduring vision of future success. Together they evolve and monitor a strategy to achieve their goal, and facilitate the acquisition and commitment of resources. As the team matures, the leader may rely less on charisma, energy or intelligence and begins to focus on leveraging the talent of others. As we have seen, the best entrepreneurs take real pleasure in enabling others to share in success.

The close identity of entrepreneurs with their businesses can lead them unwittingly to adopt leadership approaches that seem coercive or leave people feeling that they cannot keep up. These feelings in the long run reduce the effectiveness of the top team, and our research shows that the best entrepreneurs manage themselves well to allow others to flourish whilst still holding them accountable for their behaviour and effort.

Finally, outstanding leadership teams pay attention to each others' concerns. They value and respect each

other enough to go beyond the immediate pressures of the task because they recognise that excessive task focus can lead to suboptimal outcomes. In the final analysis, at least one senior person – not necessarily the entrepreneur – must be prepared to be a 'moral leader' in the team. This involves standing up for what is right even when it is difficult or personally dangerous to do so.

These leadership team issues are as relevant for entrepreneurs, venture capitalists and corporate business leaders, all of whom want to get high added value from their investments.

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METHODOLOGY

The methodology used in the entrepreneur
study is based on a proprietary methodology
developed by the Hay Group over the last
35 years.

Sample

Our sample was made up of 17 successful
entrepreneurs who: had been responsible for
establishing their business, and it had grown at
the rate of 100% each year for the past three
years or was now at least £100m pa turnover.
Two of our 17 were female entrepreneurs.
Two interviews were conducted in the US, one
in Canada with the remaining interviews
conducted in the UK.

Interviews

We undertook a total of 17 'behavioural event
interviews'. Behavioural event interviews are
structured to elicit which behaviours were
demonstrated during the establishment of the
business and other more recent work based
'events'. These interviews were conducted by
experienced Hay consultants accredited in the
behavioural event interview technique.

Transcription and Coding

The interviews were transcribed, yielding
approximately 1200 pages of detailed text and
more than 1000 data points. These interviews
were then analysed for competencies and
behavioural themes by trained expert coders
using Hay's standard definitions of
competencies, along with any other
competencies that emerged from the text.
Unique competencies were also analysed so as
not to restrict the competencies to ones that
had been seen/developed before. These data
were collected on a central database (Hay
McBer On-Line Coder) for analysis.

Analysing the Data

All the transcripts as well as background
information on each individual and their
companies was analysed during a three day
process in December 2000. The steps were
as follows:

Thematic analysis – each interview was
examined for themes describing the behaviours
and the underlying intent behind these
behaviours. The data provided an
understanding of the patterns of behaviours
shown across the group data (competency)
analysis. Using the On-Line Coder and the
thematic analysis, data were sorted both by
interview and group to identify those
competencies that characterised entrepreneurs.

Comparing with the CEOs

The Hay world-wide competency database was
consulted to identify a similar size comparator
group of CEOs and/or senior executives from
around the world (18). Example job titles
included Chairman, Managing Director –
Europe, Chief Executive. A number of
industries were covered including FMCG,
financial services and IT. Five of the group were
female executives. We compared and
contrasted the competencies of the
entrepreneurs and CEOs and senior executives.

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