

WHAT TYPE OF ENTREPRENEUR ARE YOU?

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Global Entrepreneurship Institute

GCASE - Global Community for Advancing Studies on Entrepreneurship

We use a broader definition and scope of entrepreneurial activity, segmenting all entrepreneurial activity into seven types of entrepreneurs: small business and lifestyle, franchise, professional fast growth and serial, corporate, creative disrupters and innovators, extreme, and social and nonprofit.

1. Small Business, Lifestyle, and Family Entrepreneurs

A small business entrepreneur is an individual who establishes and manages a business for the principal purpose of furthering personal goals. They comprise around 90 percent of all entrepreneurial activity in the United States. The business may overlap with family needs and desires. These ventures merely provide a reasonable lifestyle for the founding entrepreneurs. Their average net worth is less than \$6 million, and they choose to stay small.

These “lifestyle ventures” typically fall below 20 percent annual growth rates, their five-year revenue projections are below \$10 million, and average net income does not exceed \$2 million. Retailing is one of the few sectors where entrepreneurial activity is extensive. Each year, some 60,000 new retail businesses are started. The National Retail Federation in Washington, D.C., reports that 1.3 million retailers or over 95 percent of all retailers own and operate a single store.

2. Franchise Entrepreneurs

Franchising started in the 1840s and became an American institution. One out of sixteen workers is employed at a franchise, and franchising accounts for nearly \$1 trillion in retail spending. Franchising is where a franchisor is offering a franchisee exclusive rights in return for their payment of royalties and conformance to standardized operating procedures. Franchising represents a great opportunity for entrepreneurs. An entrepreneur buying into a franchise increases the odds for survival to as much as 90 percent over starting up independently.

There are three basic types: product franchising, like automotive dealerships; service franchising, like Century 21; and business format, like McDonald's. Since there are some 2,300 franchises to choose from, we suggest reading books like Ann Dugan's *Franchising: The Complete Guide to Evaluating, Buying and Growing Your Franchise Business*. Dugan will help you to find the right franchise and to negotiate the franchise lease; it also provides sample franchise agreements.

3. Professional Fast-Growth and Serial Entrepreneurs

Fast-growth ventures have been called “the backbone of the U.S. economy.” Numbering less than 350,000, they create about two-thirds of all new job growth. Professional entrepreneurs lead these ventures, which typically employ between 20 and 500 people, have sales growth of at least 20 percent each year for four straight years, and target five-year revenue projections between \$10 and \$50 million. Less than 10 percent of all start-ups make it to this level. As can be expected, it is well documented that these high-growth ventures receive great investor interest. A small business entrepreneur will typically retain 100 percent ownership, since the primary motivation is financial independence and control. In contrast, serial entrepreneurs are comfortable with relinquishing control to “a more traditional chief executive.” They also accept dilution because “taking significant outside investment” allows them to create a big venture very quickly. Basically, the serial entrepreneur creates a venture, builds it up to a certain point, and then walks away to start another.

4. Corporate Entrepreneurs and Intrapreneurs

A driving force for the corporate world is “innovate or die.” As Drucker says, “Any organization that believes that management and entrepreneurship are different, let alone incompatible, will soon find itself out of business.” Entrepreneurship is beneficial for managing established businesses but not easily maintained. Large, mature conservative businesses need entrepreneurial leadership so they can perform the continuous renewal that has become a requirement for survival. For example, managers at 3M have set a long-term objective of achieving double-digit sales growth through innovation. To survive, companies must “strive for a continuing change in the status quo.” The National Science Foundation estimates that about \$300 billion is spent annually on R&D in the United States, leading new opportunity analysis and roadways to entrepreneurial transformation. Microsoft spends almost \$5 billion on R&D annually. In 2002 Microsoft began a five-year, \$2 billion investment on the Xbox, a “stripped down personal computer in a VCR-sized electronics box” for home gamers. Four veteran game developers led Microsoft’s “Project Midway.” They “were intrapreneurs, doing the same thing as entrepreneurs except inside a big company.”

The concept of corporate entrepreneurship has been around for at least twenty years. Broadly speaking, corporate entrepreneurship (also called intrapreneurship) involves the developing of new business ideas and the birthing of a new business activity within the context of large and established companies.

5. Creative Disrupters and Innovators

Shawn Fanning, the creator of Napster, appeared on the covers of Time, Fortune, and BusinessWeek before he could legally buy a beer. In 1994, John Doerr, a venture capitalist at Kleiner Perkins Caufield & Byers, met a twenty-three-year-old Marc Andreessen, who confidently declared that “his software would change the world.” Their company, Netscape, went on to a record-shattering initial public offering in 1995. Like Edison in search of the electric light bulb, seeing only a better way to illuminate a room, these entrepreneurs are a rare breed, living on the creative edge.

Most often, these brilliant “entrepreneurial-engineers” look to technology to solve problems in ways that “unlock value.” They are visitors from the future, living among us here and now. They have an optimistic passion for an idea that borders on the embarrassing and a restless urge to make a difference in the world. They bring us innovations that will have a deep impact on how we live, work, and think in the decades ahead.

6. Extreme Entrepreneurs

Entrepreneurship is the last frontier where someone can explore individuality and pioneer a dream. In his work *Isolated State* (1850), German economist Johann Heinrich von Thunen described the entrepreneur as part “explorer and inventor.” Long before America’s Silent Army, Christopher Columbus pitched his dream to Queen Isabella in Seville, Spain. His “discovery” of America in 1492 brought new prosperity to Spain, as it soon became a world economic superpower. John Sutter was even called a “soldier of fortune.” It was near his lumber mill on the American River in California that gold was “discovered” in 1848, about 150 miles from Intel’s headquarters in Santa Clara.

Today’s extreme entrepreneurs are North Atlantic fishermen, lumberjacks, and businessmen like Ted Turner and Richard Branson, the billionaire who started Virgin Records and Virgin Atlantic Airlines. Branson says, “Being an adventurer and entrepreneur are similar. You are willing to go where most people won’t dare.”

7. Social and Nonprofit Entrepreneurs

David Packard, co-founder of Hewlett-Packard, believed that giving to the local community was important. Social and nonprofit entrepreneurs who pursue endeavors for the benefit of society have existed since ancient times. In fact, the word philanthropy is derived from a Greek word that means "lover of mankind." Today it is believed that entrepreneurship and innovation can also help "spark positive social change."

The Ewing Marion Kauffman Foundation is doing just that. Currently with over \$1 billion in assets, its mission is to make a difference by encouraging entrepreneurship in all areas of American life. The Price Institute for Entrepreneurial Studies works to further the understanding of the entrepreneurial process. By generously providing grants to leading academic institutions, the Institute works to stimulate MBA programs and curricula development, encouraging and supporting students with entrepreneurial aspirations.

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An analysis of 23 research studies published under the title "The Big Five Personality Dimensions and Entrepreneurial Status" found that entrepreneurs have different personality traits than corporate managers, scoring far higher on traits such as openness to experience (curiosity, innovation) and conscientiousness (self-discipline, motivation) and considerably lower on neuroticism, which allows them to better tolerate stress.

Tenacity

Starting a business is an ultramarathon. You have to be able to live with uncertainty and push through obstacles for years on end. This trait is known by many names--perseverance, persistence, determination, commitment, resilience--but it's really just old-fashioned stick-to-it-iveness.

Passion

It's commonly assumed that successful entrepreneurs are driven by money. But most will tell you they are fueled by a passion for their product or service, by the opportunity to solve a problem and make life easier, better, cheaper.

"Most entrepreneurs I know believe they will change the world," says Jay Friedlander, a professor of sustainable business who works with entrepreneurs at the College of the Atlantic and at Babson College. "There's an excitement and belief in what they're doing that gets them through the hard times."

Tolerance of ambiguity

This classic trait is the definition of risk-taking--the ability to withstand the fear of uncertainty and potential failure. "It all boils down to being able to successfully manage fear," notes Michael Sherrod, entrepreneur-in-residence at the Neeley School of Business at Texas Christian University.

He sees the ability to control fear as the most important trait of all. "Fear of humiliation, fear of missing payroll, running out of cash, bankruptcy, the list goes on." While many would feel powerless in the face of such adversity, "the entrepreneur looks at the situation and knows he has some control

over the outcome," says Jonathan Alpert, a psychotherapist and author of *Be Fearless: Change Your Life in 28 Days*.

Vision

One of the defining traits of entrepreneurship is the ability to spot an opportunity and imagine something where others haven't. Entrepreneurs have a curiosity that identifies overlooked niches and puts them at the forefront of innovation and emerging fields. They imagine another world and have the ability to communicate that vision effectively to investors, customers and staff. "Entrepreneurs often face naysayers, because we see the future before the future plays out," "You have to be several steps ahead of the market."

Self-belief

Self-confidence is a key entrepreneurial trait. You have to be sure your product is something the world needs and that you can deliver it to overcome the naysayers, who will always deride what the majority has yet to validate. Researchers define this trait as task-specific confidence. It's a belief that turns the risk proposition around--you've conducted enough research and have enough confidence that you can get the job done that you ameliorate the risk.

Flexibility

Business survival, like that of the species, depends on adaptation. Your final product or service likely won't look anything like what you started with. Flexibility that allows you to respond to changing tastes and market conditions is essential. "You have to have a willingness to be honest with yourself and say, 'This isn't working.' You have to be able to pivot," says Colwell of Plains Angels.

Rule-breaking

Entrepreneurs exist to defy conventional wisdom. A survey last year by Ross Levine of the University of California, Berkeley, and Yona Rubinstein of the London School of Economics found that among incorporated entrepreneurs, a combination of "smarts" and "aggressive, illicit, risk-taking activities" is a characteristic mix. This often shows up in youth as rebellious behavior, such as pot-smoking. That description would certainly hold true for some of the most famous entrepreneurs of recent years. In fact, simply starting a business breaks the rules, as only about 13 percent of Americans are engaged in entrepreneurship, according to a Babson College report. Doing what the majority isn't doing is the nature of entrepreneurship, which is where the supply of inner resources comes in.