

# Nature or nurture?

Decoding the DNA  
of the entrepreneur

Executive summary

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Entrepreneurial leaders enjoy a reputation as freewheeling mavericks who operate in a world far removed from corporate life. Yet the overlap between entrepreneurial leaders and traditional managers is much larger than is often assumed. Creative, innovative individuals may possess copious ideas, but it takes leadership and business discipline to turn them into successful ventures.

With entrepreneurship seen as a major source of economic growth and job creation, the question remains: what makes up an entrepreneurial mindset? This question is echoed in major corporate boardrooms, with many chief executives keen to encourage internal entrepreneurial thinking and innovation as a way to reinvent their businesses and stay ahead of the competition.

This report aims to provide some insights into the minds of today's most successful entrepreneurial leaders and discern what makes them successful. We conclude with a model that represents both the intrinsic and extrinsic characteristics of their mindset and abilities.

The report features perspectives from a survey of 685 entrepreneurial business leaders from around the world and is informed by a series of in-depth interviews with Ernst & Young Entrepreneur Of The Year<sup>®</sup> Award winners.

## Key findings of the report

### 1. Entrepreneurial leaders are made, not born.

The concept of the young, dynamic entrepreneurial leader who starts a venture fresh out of college is one that persists. But although many entrepreneurial leaders start at a reasonably young age, the experience they gain through education and time spent in a more traditional corporate environment is vital to their future success. Indeed, more than half of respondents describe themselves as “transitioned” entrepreneurs – in other words, they have previously spent time in traditional employment before setting out on their own.

### 2. Entrepreneurship is rarely a one-off decision.

The majority of survey respondents are “serial entrepreneurs” who have launched at least two companies. Entrepreneurial leaders who embark on more than one venture gain valuable insight and lessons into how to make a new business successful. As such, they perform a vital role in the economy and, among them, start a significant proportion of all new ventures.

### 3. Funding, people and know-how are the biggest barriers to entrepreneurial success.

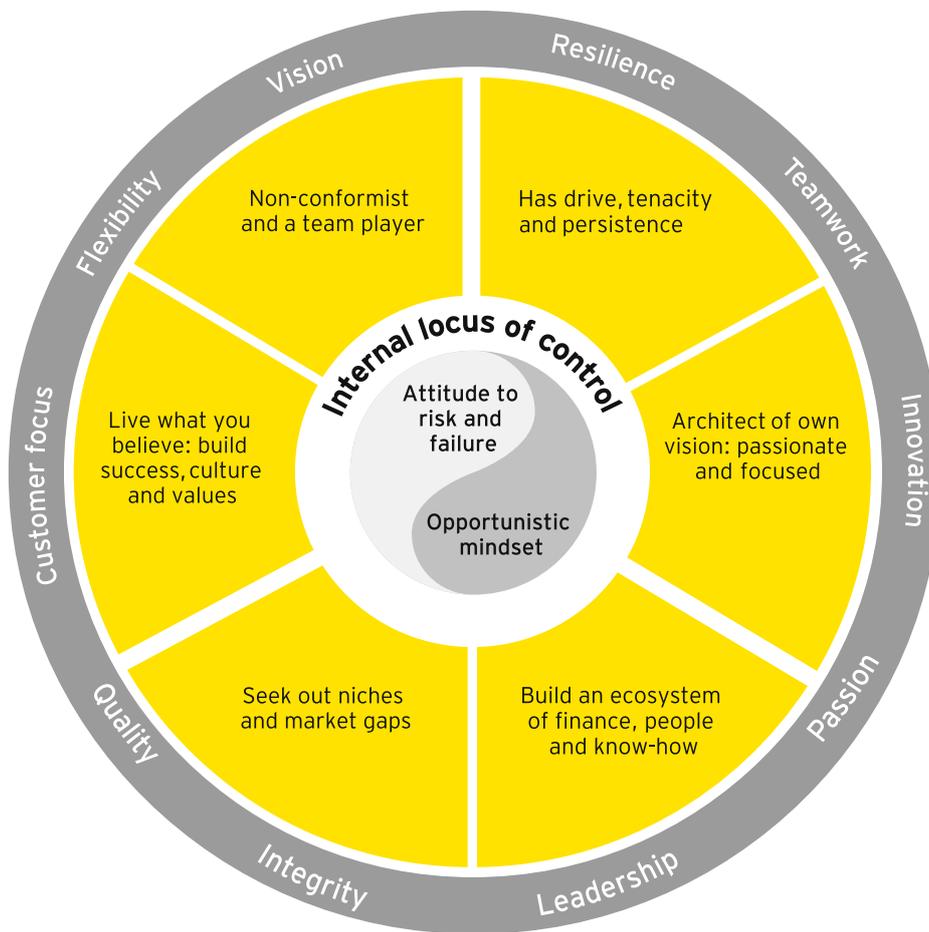
Among the 6 out of 10 respondents who experienced obstacles in their ventures, the most common barrier is lack of funding or finance. This is particularly pertinent in the current environment, when many entrepreneurs continue to experience problems with accessing finance, despite a gradual easing of credit conditions in many countries. The two other most-cited obstacles are people and expertise. As a result, entrepreneurial leaders are well-advised to build “ecosystems” – networks of resources – to address these three areas.

### 4. Entrepreneurs share common traits.

Entrepreneurs may be made rather than born, but our research has found that entrepreneurs typically will exhibit a combination of behaviors and attitudes. At the heart of this model is a strong internal locus of control – a belief that events result directly from an individual's own actions or behavior. This is complemented by a mindset that sees opportunity where others see disruption, along with an acceptance of calculated risk and a tolerance of failure.

### 5. Traditional companies can learn from entrepreneurial leaders.

Employee incentives and fostering innovation are good places to start. It is no coincidence that fast-growing entrepreneurial companies tend to place larger amounts of share ownership in the hands of employees. And in terms of innovation, traditional companies have few incentives to disrupt their own business models with game-changing innovations. But companies that can are richly rewarded.



## The DNA of the entrepreneur model

Based on our research into the mindset of today's entrepreneurial leaders, Ernst & Young has developed a model of what comprises an entrepreneurial leader:

- ▶ At the nucleus of the model are the yin and yang characteristics of an opportunistic mindset combined with a unique attitude to risk and failure.
- ▶ The nucleus is combined with the idea of "locus of control" – a belief in control over one's environment. This is complemented by the ability to see opportunities and a willingness to take risks to seize them.

- ▶ Surrounding the core of the model are six guides to action that entrepreneurial leaders live every day: passion, persistence, the ability to work with a team yet follow their own instincts, the creation of a "success culture," an eye for niches and market gaps, and a focus on building a financial ecosystem to support the venture.
- ▶ Finally, the outer ring of the model draws on previous research of the attributes identified as those held by leaders of exceptional enterprises – uncovered as part of Ernst & Young's Exceptional Enterprise model<sup>1</sup>.

The core of the entrepreneur is ultimately about a way of viewing the world and the ability to act on those views. Entrepreneurial leaders are personally characterized by a strong locus of control, an opportunistic outlook and a willingness to take risks (and potentially fail). These traits are at the core of the model. The model should be viewed as "and, and" not "either, or" as it is the combination of all four layers that sets entrepreneurial leaders apart from their peers.

### Profile of 685 entrepreneurial leaders surveyed:

- ▶ More than 30 countries and 25 sectors represented
- ▶ Majority of companies have revenues ranging from US\$10m to over US\$20b
- ▶ 58% of the respondents achieved strong revenue growth of more than 20% in the last year

<sup>1</sup> Why are some companies luckier than others, Ernst & Young, 2008

