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## Analysing Critical Success Characteristics of South African Entrepreneurs

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### INTRODUCTION

Modern interest in the entrepreneur can be traced back as far as the nineteenth century, but empirical studies of entrepreneurial behaviour are comparatively recent (Rabey, 2005). Most research on the psychology of the entrepreneur builds on McClelland's work attempting to predict entrepreneurship from individual characteristics such as locus of control, risk taking, personal values, job satisfaction, experience, role models, age, education and residency. Entrepreneurship can be defined as the initiation of change, a creative art, creating a new business, whereas management involves controlling and planning and running a business. Starting and running a small business involves both entrepreneurship and managerial skills. When an entrepreneur is developing a new product for example a solar powered cell phone he/she is initiating an innovative change and acting as an entrepreneur. When the entrepreneur starts producing the solar powered cell phones, the role changes into a manager's role which performs planning, coordinating, leading and controlling functions. The person may return to the entrepreneurial role by altering the design of the cell phone.

The majority of the research that has taken place on the topic of entrepreneurs has been to determine aspects of background and personality characteristics that distinguish them from the general population. Far less research has investigated any association between these factors and the success of the entrepreneur. No research was found which was directly aimed at identifying common personality characteristics related to the successfulness of one entrepreneur versus the "lack of success" of another entrepreneur. Entrepreneurial research has been hampered by a failure to define the entrepreneur, but the lack of agreement about the essential traits is equally problematic (Cromie, 2000). Entrepreneurs are thought to have numerous traits that distinguish them from others. Hornday (2000) mentioned the following characteristics, namely: the need for achievement, propensity for risk, tolerance of ambiguity, self-confidence, innovation, internal / external locus of control, ability to co-operate, always have a choice available, energy, focus, heightened awareness, imagination, ingenuity, initiative, knowledge of market, management skills, marketing skills, need for independence, raw intelligence, resolute sense of self-determination, resourcefulness, vision, vivid imagination and willpower.

Success means different things to different people, but by and large, the success of a business is measured in terms of money. Measures of the amount of money a business made are measured in terms of turnover or net profit or cash flow or a combination of all of these.

### LITERATURE REVIEW

Deamer & Earle (2004) reviewed the literature extensively to reach a refinement of the definitions of the entrepreneur. They offered the following definitions:

#### *The small business owner*

"An individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be his primary source of income and consumes the majority of this time and resources. He sees it as an extension of his personality and intricately bound with family needs and choices."

*The entrepreneur*

“An individual who establishes and manages a business for the principal purpose of profit and growth. He is characterized principally by innovative behaviour and will employ strategic management practice in business.”

Owning or running a business does not make a person an entrepreneur. The key to entrepreneurship is creativity, innovation and being an agent of change. Many business owners are managers, running a business which they have copied from somebody else and they are managers and can not be classified as entrepreneurs. A business owner may be classified as an entrepreneur only when he/she comply with one or more of the following:

- Introduces a new or improved product or service;
- Opens up a new market;
- Uses a new source of supply of raw materials; or
- Creates a new business.

Whatever specific business activity entrepreneurs are engage in they are considered the heroes of free enterprise and they all need to obtain managerial skills. Capable entrepreneurs and managers achieve goals successfully, resourcefully and achieve targets with the minimum waste of resources. The management process, different kinds of managers will be highlighted next.

Cunningham & Lischeron (2002) identify six major schools of thought on entrepreneurship. The “Great Person School” views an entrepreneur as a person with vigour, intuition, energy, persistence and self esteem, while the “Classical School” identifies entrepreneurship with innovation, creativity and discovery. The “Management school” refers to an entrepreneur as one who organizes, owns, manages and assumes risk. The “Leadership School” views an entrepreneur as one who motivates, directs and leads whilst the “Entrepreneur School” focuses on skilful management with complex organizations. Lastly, the “Psychological Characteristics School” assumes that people behave in accordance with their values and that behaviour results from attempts to satisfy needs

Characteristics mentioned in the literature regarding the study of entrepreneurs includes the following: the need for achievement, propensity for risk, tolerance of ambiguity, self-confidence, innovation, internal / external locus of control, ability to co-operate, always have a choice available, energy, focus, heightened awareness, imagination, ingenuity, initiative, knowledge of market, management skills, marketing skills, need for independence, raw intelligence, resolute sense of self determination, resourcefulness, vision, vivid imagination and willpower as identified by Rabey (2005).

**AIM OF THE STUDY**

The aim of the study was to identify the critical success factors or characteristics that successful entrepreneurs possess that differentiate them from less successful entrepreneurs.

The objectives of the dissertation:

- To analyse what the measure of a successful entrepreneur is.
- To establish the critical success factors that successful entrepreneurs possess.
- To determine if common factors exist in the successful entrepreneurs.

**RESEARCH METHODOLOGY**

This study was conducted using a list of Trade and Industry list, consisting of entrepreneurs whose businesses range in size from achieving R3 million turnover annual to in excess of R50 million annually. Secondary and primary sources were used to gather information. The main secondary sources used were journals, articles, press reports, and books. A qualitative research study was

conducted. A sample frame of 100 was obtained. A structured questionnaire was e-mailed between 20 April and 30 May 2005. Of the 100 questionnaires e-mailed, 65 replies were received, which mean a response rate of 65 percent. This may be considered a good response rate considering the sensitivity of the topic, the nature of the problem under investigation and the inhibitions that management might have regarding the survey.

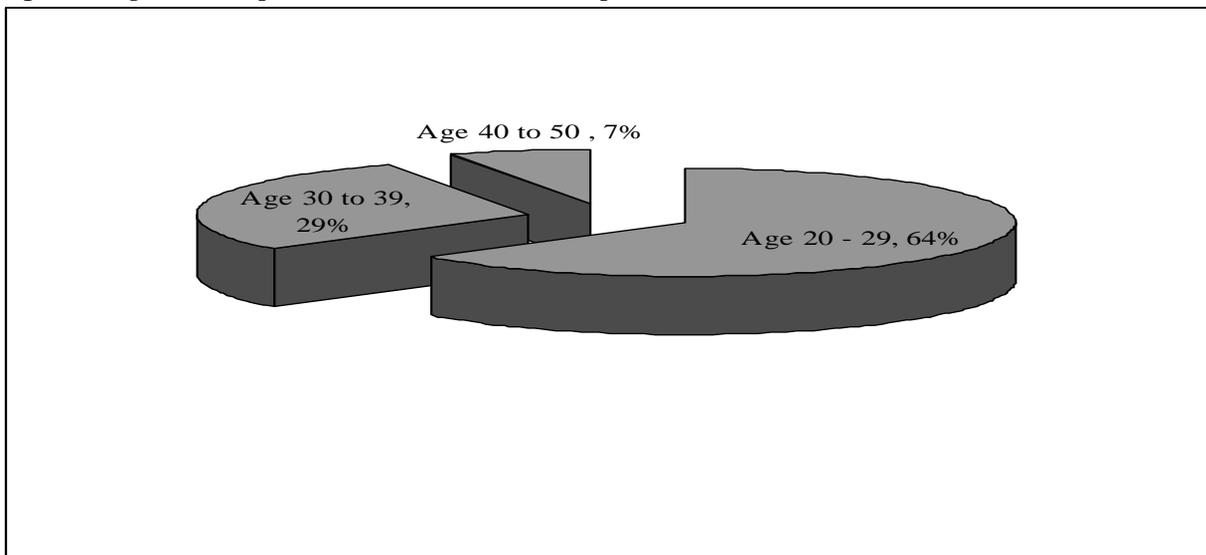
## RESULTS

The results of the survey have been categorized into the following sections, namely: age that respondents first became entrepreneurs, motivating factors to become an entrepreneur, characteristics attributed to current entrepreneurial success, initiative, and personality perceptions. The respondents have also been divided into the following sub categories: very successful entrepreneurs, successful entrepreneurs, entrepreneurs that are making a living and unsuccessful entrepreneurs. The questions in the questionnaire were asked to achieve the objectives of the research namely to analyse what the measure of a successful entrepreneur is, to establish the critical success factors that successful entrepreneurs possess and to determine if common factors exist in the successful entrepreneurs.

### Age that respondents first became entrepreneurs

The purpose of question was to determine at what age the respondents first became entrepreneurs to establish whether this component has had any bearing on the success that they have achieved as an entrepreneur. The results are indicated in figure 1.

**Figure 1** Age that respondents first became entrepreneurs



As shown in figure 1, 64 percent of the respondents interviewed first became entrepreneurs between the ages of 20 and 29 years of age. Of the respondents interviewed 29 percent became entrepreneurs when they were in the age group 30 to 39 compared to seven respondents who started a business when they were older than 40 years. It seems that to be an entrepreneur you need youthful energy which older people do not have.

### Motivation for becoming an entrepreneur

The responses to the question, "What motivated the decision to become an entrepreneur", identified a variety of factors. The findings indicate that there was a common desire for independence and

more money across all four categories of respondents. Although common among the four categories, desire for independence was most prevalent among the very successful respondents. There is however no apparent pattern or trend that could signify that the desire for independence has any effect on the success (or the lack of) achieved by the respondents. Money, although also a common factor across the categories, was prevalent in none. Therefore, although identified as a strong motivating factor for many people to become entrepreneurs, it would appear that it has no effect on the probability of achieving success going forward.

### **Characteristics attributed to Current Entrepreneurial Success**

The next question asked respondents about which of their personality characteristics they felt contributed most to their current entrepreneurial success. Across the 4 categories of respondents, 58 different characteristics were listed with surprisingly few commonalities between them all. The only characteristics common to all were discipline, honesty, vision and self-confidence. A number of characteristics were listed by only the very successful respondents in terms of business success measured by profit of the business, namely: the ability to sell; ambition; being risk averse; choosing the right people; competitive nature; flexibility; integrity; never being satisfied; people skills; prepared to invest; problem solving skills and willingness to multitask.

The only characteristics listed by the unsuccessful respondents that were not listed by the very successful respondents were: leadership, creativity and understanding. Very successful respondents therefore identified more characteristics as being critical to their success than their less successful and unsuccessful social group.

### **Reasons why the business have failed the first time**

The respondents were asked whether they had previous business failure and Table 1 lists the reasons why their business ventures have failed.

**Table 1** Reasons behind the failed business ventures

<b>Very successful</b>	<b>Successful</b>	<b>Making a living</b>	<b>Unsuccessful</b>
Lack of financial acumen	No business background	<b>External forces beyond control</b>	<b>Lack of capital</b>
Young, naïve and not street wise	No fully understanding necessary requirements	Lack of experience	<b>Dishonest partner</b>
Did not research business	<b>Market was not big enough for another entrant</b>	Lack of necessary insight	<b>External forces beyond control</b>
Laziness	<b>Dishonest partner</b>	Was not managing the business personally	
Bad planning	Viewed as a sideline	<b>Untrustworthy partner</b>	

As shown in table 1, a key finding from the research is the fact that of all the responses provided by the current very successful respondents, the blame is always solely attributed to their own faults and weaknesses. In all the other categories, (bolded in the table) at least one respondent in every group gave a reason for failure that was attributed to someone or something other than their own faults or weaknesses. In addition, it is worth noting that the reasons provided by the current unsuccessful respondents all attribute the failure to alternative factors other than their own faults and weaknesses. It would be interesting to observe whether their current lack of success is attributed to similar reasons.

### **Are entrepreneurs born?**

Entrepreneurs are born and not made was the statement put forward to the respondents interviewed in the next question in order to gain insight into their thoughts on the topic. The findings show that the majority (67%) of the unsuccessful respondents agreed with the statement while the majority

(58%) of very successful respondents disagreed with it. A small majority of 53% of successful respondents agreed with the statement while a small majority of 53% of making a living respondents disagreed with it. A point worth highlighting is that the vast majority of unsuccessful entrepreneur believe that entrepreneurs are born and not made.

### Initiative

A trend is evident on the perceptions of initiative between respondents. Of the respondents that believed initiative to be critical to their success, the make up between the 4 categories of was shown in figure 2.

**Figure 2 Initiative**

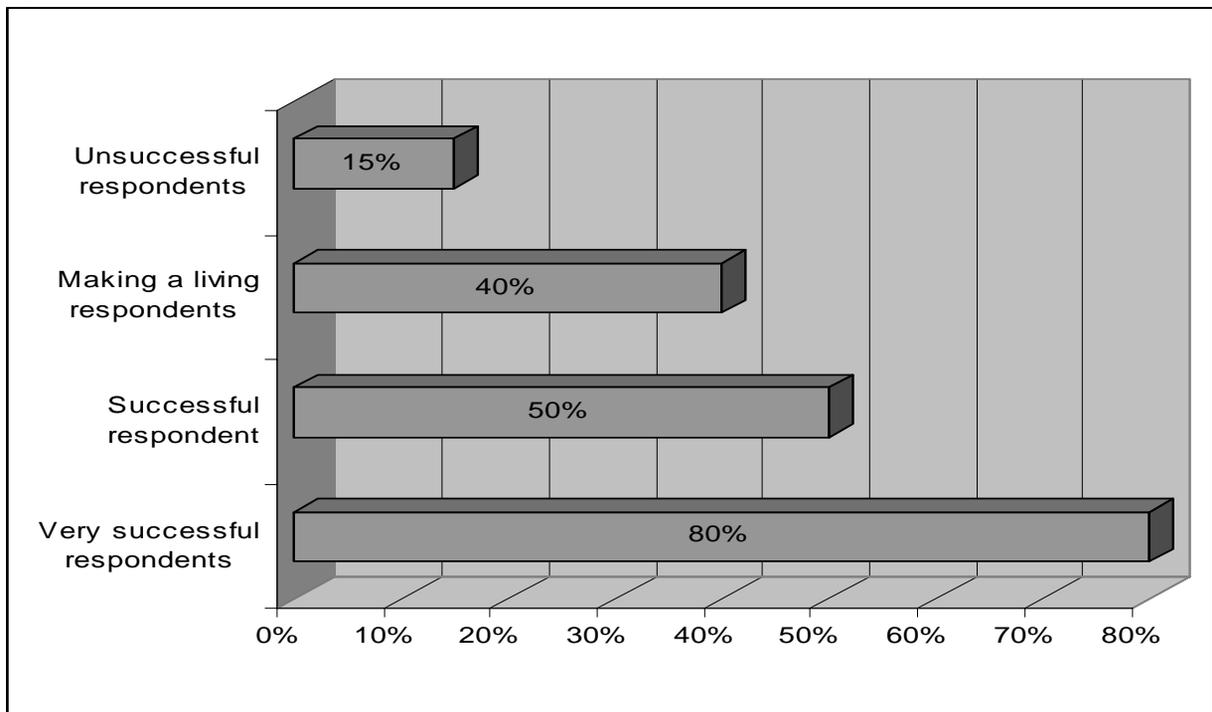


Figure 2 indicates that 80 percent of the very successful respondents, 50 percent of the successful respondent, 40 percent of the making a living respondents and a mere 15 percent of the unsuccessful respondents believed initiative to be critical factor in success.

### Entrepreneurial Personality Characteristics

Few differences were highlighted in this component of the research that had a strong correlation to the success of the entrepreneur. A number of components are however worth mentioning. The more successful entrepreneurs have been found by the research findings to seek advice from others most often. The findings indicate that there is a direct correlation between the level of success achieved and the frequency of seeking advice from others around them. It should therefore be highlighted to all entrepreneurs that research has shown this to be a component that has a direct correlation to entrepreneurial success. A further interesting finding is that the more successful entrepreneurs are of the belief that they can continually improve. Less successful entrepreneurs are however of the opinion that entrepreneurs are born and not made and are therefore incapable of improving. The research has shown a direct correlation between this opinion and the levels of success that have been achieved.

### **Entrepreneurial Personality Characteristic Comparison**

Of the 22 characteristics that were identified by a variety of authors, however only two, initiative and the appetite for risk taking highlighted a direct correlation between perception and success. The opinion of how important respondents viewed initiative to be to their current success found that the more important initiative was perceived to be the greater the level of success that has been achieved. As an entrepreneur it should therefore be noted that the research has highlighted a direct correlation between viewing initiative as critically important and the levels of success achieved. Entrepreneurs should therefore take note of these findings if they not of the opinion that initiative are critically important to their success.

The findings also highlighted that the more successful the entrepreneur the greater the appetite for risk taking. It should be noted that there is an element of risk in all business activity and if one is not prepared to take calculated risks this can potentially limit success. The findings therefore highlight that an element of risk is crucial to the potential success that may be achieved going forward.

### **CONCLUSION**

The significance of the research that has sought to identify the critical success characteristics of entrepreneurs is two fold. Firstly, the accurate identification of the critical success characteristics or absence thereof can be brought to the attention of entrepreneurs who lack them, thus presenting the opportunity to address them, thereby increasing the likelihood of achieving success going forward.

### **Motivating Factors to become an Entrepreneur**

The factors motivating people to become entrepreneurs showed a direct correlation to the levels of success that have been achieved as entrepreneurs. Firstly a conscious, calculated decision to enter a particular industry versus being a victim of circumstance has been shown in the research to have a direct correlation to the levels of success that have been achieved. It should be noted however that although a definite correlation was shown to be evident it is not an indication of certain entrepreneurial success. Nonetheless asking an entrepreneur why he/she chose to enter a particular industry can give one foresight into the potential of the entrepreneur.

Secondly, the research has highlighted that entrepreneurs that are prepared to take direct responsibility for their actions and shortcomings have proved to enjoy far greater success going forward than those that are inclined to lay blame on components other than themselves. It should therefore be highlighted to all entrepreneurs that seek success that they are in control of their own destinies and should always accept responsibility and never lay blame elsewhere.

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### **RECOMMENDATIONS**

The research recommends that potential South African entrepreneurs should ensure that they possess many of the characteristics identified in this research prior to entering the world of entrepreneurship. It is also firmly recommended that potential entrepreneurs make a calculated and conscious decision about the industry that they are entering as this is shown to have a significant impact on the levels of success achieved going forward. South African entrepreneurs should also accept responsibility for their successes and failures and never lay blame on any other component other than their own weaknesses. Finally it is recommended that entrepreneurs focus on initiative and risk taking as important characteristics that can have a significant impact on their success as an entrepreneur in South Africa.

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