“What Is An Entrepreneur?”

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Abstract

It is extremely difficult to define exactly what an entrepreneur is. Many people assume that it is just someone who opens their own business. This is an extremely simple definition. Although partially correct, there is much more to being an entrepreneur. Throughout the course of this thesis, there will not only be an emergence of a better definition for entrepreneur. Rather, it will be a closer look into the mind of an entrepreneur and how they perceive themselves.

In order to receive a better understanding of an entrepreneur, it will be necessary to dig deeper than the simple characteristics that most share. In the pages to come, the information provided should dispel many myths about entrepreneurs. This can help enlighten numerous people by correcting many of their preconceived notions. The discussion of the concepts of motivation will help demonstrate the drive that most entrepreneurs possess.

It will be important to receive a better understanding of entrepreneurs by also examining portions of the darker side. An example of this difficult side involves all of the many risks that are unilateral with opening a business. Entrepreneurial stresses such as loneliness and immersion in business help to enlighten any uniformed reader.

The thesis will conclude with an examination of how entrepreneurs are different from other managers. This comparison helps distinguish career professionals from entrepreneurs. By the end, any reader should be able to understand that entrepreneur is not just a job title, but a way of life.
“What Is An Entrepreneur?”

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Honors Thesis
“Entrepreneur” is a popular word circulated in today’s business conversations. Most large companies preach the philosophy of thinking “smaller and more entrepreneurial.” These companies would like to incorporate intrapreneurship, or entrepreneurship, thinking into their everyday processes. Outside of major corporations, there has been an explosion of small businesses starting up around the country. Why? What is the sudden fascination with the concept of entrepreneurship?

For most people, the desire to be an entrepreneur comes from dreams of being wealthy. Our country hails individuals such as Bill Gates as the epitome of entrepreneurship. Many believe, “All I need is an idea, and I can make millions too.” What outside observers often overlook is that a successful entrepreneur is more than just lucky. For successful entrepreneurs, luck is when opportunity meets preparation.

Independence and freedom are the next entrepreneurial qualities many people strive to achieve. The phrase, “I wish I could be my own boss,” is often uttered. By opening their own businesses, people can achieve that result they desire. However, what sacrifices are people willing to make to realize all of the perceived benefits of entrepreneurship? Many do not realize what it takes to be successful in an independently owned business. Through the course of this paper, the reader will receive a better understanding of the profile of an entrepreneur and how entrepreneurs are different from the rest of the population.

**What is an entrepreneur?**

The American Heritage Dictionary defines entrepreneurship as “the organizing, operating, and assuming of risk for a business venture.” This is an easy definition to remember, but it is not necessarily accurate. Due to the complexity of entrepreneurship,
the definition cannot be summed up into one sentence. A more detailed explanation of entrepreneurship helps create a better understanding of the subject matter. A detailed definition of entrepreneurship is as follows:

"Entrepreneurship is the ability to create and build a vision from practically nothing: fundamentally it is a human, creative act. It is the application of energy to initiating and building an enterprise or organization, rather than just watching or analyzing. This vision requires a willingness to take calculated risks—both personal and financial—and then to do everything possible to reduce the chances of failure. Entrepreneurship also includes the ability to build an entrepreneurial or venture team to complement your own skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction, and confusion. It is possessing the know-how to find, marshal, and control resource (often owned by others). (Timmons 7-8)"

This definition might be a bit long for practical purposes, but it thoroughly encompasses all the areas the aspects of a true entrepreneur. To take the definition a step further, the word entrepreneur is derived from the French word *entreprendre*, which means, "to undertake." This provides the fundamental basis from which most people define the word. Over the years, entrepreneurs have taken on many responsibilities and covered a wide range of tasks. This makes it difficult to pinpoint one precise definition for the word entrepreneurship. In actuality, the definition is ever changing.

The evolving definition for entrepreneurship can also be attributed to the independent thinking nature of the entrepreneur. In order for a small business owner to be successful, he/she must continually generate new ideas. Often these ideas have never been implemented, which is ultimately what ensures success. By consistently thinking outside the box, entrepreneurs continually broaden their horizons into bright and successful new areas. With the continuous growth and range of expertise that many entrepreneurs now possess, a higher standard is created for the next generation to exceed.
This continuous growth effect drives the ever-expanding definition we are trying to explain.

In 1980, Geert Hofstede reached a break-through in the concept of culture that human problems and their solutions are limited in numbers. He found that there are four underlying dimensions of culture, together with the consequences that reflect a given society’s culture in the institutions and behaviors it maintains. The first dimension is power distance. This is the management of inequality between people. Second, individualism deals with the relationship between individuals and collectives. Uncertainty avoidance is the stance toward the future. Last, masculinity is the allocation of roles between the sexes.

Since Hofstede developed his model, there have been additional studies on where entrepreneurs fall. Entrepreneurs exhibit higher “power distance” scores than career professionals. This reflects a tolerance for inequality. Entrepreneurs tend to favor individual rather than collective action. This is not a surprising trait since most entrepreneurs enter business for themselves to act independently. They are prepared to take the risks and will value their personal time under the results of uncertainty avoidance. Entrepreneurs will tend to have a highly masculine orientation. This is not in terms of gender, rather simply means they will live to work and treasure things and money (McGrath 116).

Studying models and definitions is helpful in understanding entrepreneurs, but the best experience is personal interaction. There is no better way to understand entrepreneurship then to have a hands-on experience. Sheryl Swingley, an aspiring entrepreneur, said, “Entrepreneurship allows you to combine all of the talents that you
possess. You are not limited to one field of expertise, but get to experience all fields of your business.” This is an interesting way to define entrepreneurship. In essence, it is the collective experience of working in all areas of one’s business and combining one’s wide range of abilities toward a single outcome that ultimately determines the success or failure of that business.

**Entrepreneurial Characteristics**

Similar to defining entrepreneurship, it is difficult to narrow down the exact characteristics of an entrepreneur. Entrepreneurs are a diverse group of individuals that each possess their own characteristics and reasons for starting their own business. The characteristics mentioned in this section are shared among many entrepreneurs. If one does not hold all of these qualities, he/she is not eliminated from being an entrepreneur. The diverse qualities exhibited throughout the community of entrepreneurs helps provide a better understanding in general of who and what they are. This concept is illustrated well with the following explanation:

“Would be entrepreneurs live in a sea of dreams. Their destinations are private islands—places to build, create, and transform their particular dreams into reality. Being an entrepreneur entails envisioning your island, and even more important, it means getting in the boat and rowing to your island. Some leave the shore and drift aimlessly in the shallow waters close to shore, while others paddle furiously and get nowhere, because they don’t know how to paddle or steer. Worst of all are those who remain on the shore of the mainland, afraid to get in the boat. Yet, all those dreamers may one day be entrepreneurs if they can marshal the resources—external and internal—needed to transform their dreams into reality.

Everyone has dreams. We all dream while asleep, even if we don’t remember dreaming. Entrepreneurs’ dreams are different. Their dreams are not limited to dreams about fantasy islands or fast cars. Theirs are about business. (Shefsky 1994)”

*Need for Achievement*
Entrepreneurs typically have an internal drive that pushes them to achieve moderately high goals set for themselves. Their goals are usually not designed to be unreachable, but to motivate them to work hard to reach the next level. Once there, a new set of challenging goals are set. It is a continuous cycle of achievement that can never be completely fulfilled due to the need to continue the achievement process.

Some argue that the link between small business ownership and a high need for achievement is casual and not proven. This is because most small business owners available for inclusion in a study are successful and this success may contribute to their high need for achievement. An interview with established entrepreneur Chuck Frairy helps to explain this dilemma of personal success and business success. “Many people believe you grow or you die. I do not believe this. For me it is [that] you get better or you die.” Mr. Frairy was simply stating that many people believe his business is more successful if it grows. However, he believes he needs to improve at what he does to become more successful.

Internal Locus of Control

Entrepreneurs typically believe that the success or failure of their business almost exclusively depends on them. They believe that internal events and not random external situations depending on luck affect their operations. Many of these beliefs can be related back to the need for achievement, because they believe success depends on them working hard and not on random occurrences.

There are some arguments against internal locus of control as an entrepreneurship quality. “This internal belief and the associated greater effort would seem to hold true for both successful entrepreneurs and successful managers. Therefore, it fails to uniquely
distinguish entrepreneurs, both holds promise for distinguishing successful entrepreneurs from unsuccessful. (Kent 45)” This is a valid argument. Many professional managers are successful by believing in internal locus of control. Nevertheless, few entrepreneurs think externally while many professional managers do.

*Calculated Risk Taking*

Risk is an extremely significant factor in the entrepreneurship lifestyle. This is often the area that “separates the men from the boys”, so to speak. For many, it is difficult to go out on a limb to pursue small business ideas due to a fear of the associated risks. Risk will be covered in further detail in future sections of this thesis.

Although significant risks exist, most entrepreneurs do not view risk as a problem. They attempt to narrow the margin for failure by any means possible, thus creating calculated risks. This helps to eliminate many of the problems involved in risk by reducing the failure rate. Max Goecker, the owner of three Mail Boxes Etc. stores, does not view himself as a risk taker. “I looked into every possible scenario before opening my stores. I did not think it was a risk to enter the business because I had set up things to fall back on if it did not work out.”

*Commitment, Determination, and Perseverance*

These qualities must be built into the mindset of an entrepreneur. Although these qualities can be developed, most of them are a vital part of the small business owners’ everyday thinking. Most businesses face numerous setbacks and obstacles. The entrepreneur must be able to overcome these problems and have the tenacity to work through them. Often times these setbacks can only be overcome by personal sacrifices, such as spending more time working and taking pay cuts.
Tolerance for Failure

Although entrepreneurs demonstrate commitment, determination, and perseverance, they may still fail. Anyone opening his or her own business faces a great risk of failure. Failure must not discourage the entrepreneur. He/she must fight through disappointment and learn from their mistakes. Oftentimes, the entrepreneur will learn more from failures than from success. It is this quality that helps many bounce back and find new opportunities with a greater likelihood of success.

Myths of Entrepreneurship

Entrepreneurs Must Fit the Profile

We have just explored several characteristics of entrepreneurs. This is not an all-inclusive list, though. There are many other characteristics involved with being a successful business owner. There is no set profile that all entrepreneurs must possess. Many of them share similar characteristics, but the absence of qualities or the existence of others does not eliminate them from being a true entrepreneur.

Entrepreneurs Are Born, Not Made

This is another common misperception of entrepreneurship. Although several of the characteristics are more natural to some people, this does not mean that someone could not learn them. With the increased interest in entrepreneurship, there are many classes that can be taken to learn these qualities. Through the learning of basic structures and case studies, anyone has the potential to become an entrepreneur.

All Entrepreneurs Need Is Money

Many people believe this because they have ideas they are afraid to pursue because they do not want to lose money. Although this is an obstacle to overcome,
proper planning helps ensure success. If the potential small business owner has a good business plan and managerial competence, there are many ways to acquire the necessary financing for his/her business. Besides money, an entrepreneur will also need financial understanding, proper investments, and excellent planning.

*Entrepreneurs Are Extreme Risk Takers*

As mentioned previously in the characteristics section, entrepreneurs are not necessarily big risk takers. Extensive planning and preparation eliminates the majority of risks involved with opening a business. After this, the remaining risks have been minimized enough to allow decisions to be made with a low rate of failure.

*Entrepreneurial Motivation*

Like many other aspects of entrepreneurship, it is difficult to pinpoint an exact set of rules to follow when examining motivation. One set of motivational factors includes “the individual’s personal characteristics, the individual’s personal goal set, and the existence of a viable business idea. (Fischer 32)” These expectations must then be compared to the actual outcomes. The reactions to the outcomes will then serve as precedent to future undertakings. In other words, when the expected outcome is positive, the entrepreneur is more likely to stay motivated for future events.

Motivation can be a difficult concept to define and can be better understood by talking with the entrepreneur. Sheryl Swingley commented, “I love pushing my limits! I am always up for a new challenge.” It is this desire to seek new challenges that motivates many entrepreneurs. They are often ready to move on after conquering a new obstacle and always searching for further growth for themselves and their business. Mrs. Swingley also commented, “All of the hard work is very rewarding.”
Max Goecker shares a similar outlook on motivation. He agrees it is very rewarding to work for yourself. He spoke of how there are constantly new challenges to face, and although difficult, once they are conquered, they can provide motivation for persevering through the next trial. Mr. Goecker also had another motivating factor, “The freedom! It is great to be my own boss. Sometimes it ties me down, but I usually have the option to do what I want.”

Entrepreneurial Risk

Risk can be one of the most challenging aspects to face in pursuing an entrepreneurial lifestyle. That is why entrepreneurs research every avenue in order to reduce these risks to a minimal amount. Typically, the higher the amount of risk involved, the higher the reward. Thomas Monroy and Robert Folger have developed a typology of entrepreneurial styles that involve risk. A copy of this chart can be seen below.

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<th>Level of Personal Financial Risk</th>
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<td>Low</td>
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<td>Profit Motive</td>
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There are four main types of risk involved in entrepreneurship. The first is financial risk. Most entrepreneurs are forced to invest most of their money and possessions into their business. If that business would fail, the entrepreneur would lose...
everything. Often times, the small business owner goes into debt to open the business. If it then fails, the entrepreneur is left with a large debt and forced into bankruptcy.

The next risk is of career. Most entrepreneurs leave their jobs to open their own business. Then, if it fails, they are left with no job at all. This leaves the entrepreneur in a scramble to find a new job or return to the previous one. Many securely employed people are afraid to take this risk.

Family and social risk poses another potential problem. A new business owner is forced to dedicate large amounts of time. As a result of this, they will be spending considerably less time with family and friends. It is at this time that marriages are put to the test. Friends may fall away since the entrepreneur will not have as much time to socialize with them.

Last is the psychological risk. This is due to the extreme amount of pressure on the person opening the business. If it fails, the entrepreneur might lose confidence in themselves. They may slip into a depression that they do not fully recover. Often times this problem can be resolved with time, but it is still a pending risk for all entrepreneurs.

Max Goecker can relate well to these risks. He left a comfortable job at AT&T to open his three Mail Boxes, Etc. stores. He finally made his decision by minimizing the risks to the best of his ability before entering the new market. He felt comfortable with the business he had chosen because of its conservative nature. He also claims, “I guess I perceive risk differently from other people. Some people might have seen it as a big risk, but to me it did not seem that bad since I set up a back-up plan.”

Sheryl Swingley, who is currently pursuing the entrepreneurship, world feels a little differently than Mr. Goecker. She says, “I do not like the risk involved. I am not
afraid of the start-up, it is of the failure.” This is a fear many people have when opening a business for the first time. Mrs. Swingley goes on to say, “I am trying to overcome this by minimizing the risks.” That is the best route for any entrepreneur, to see the risks and try to reduce them.

**Entrepreneurial Stress**

*Loneliness*

Loneliness is a source of stress that many people do not anticipate. They assume if they are surrounded by customers and their workers all day, this would not be a factor. Unfortunately, it is a high source of stress. As a result of the long hours worked, entrepreneurs do not have as much time to spend with family and friends. This creates a void that cannot be filled with customers. In addition, the entrepreneur does not usually get to talk about their business with others in the industry because they the competition.

*Immersion in Business*

Almost every entrepreneur is heavily involved with his or her company. This immersion does not allow time to get away since no one else can do the job. The irony here is that the entrepreneur finally has enough money to take nice vacations but just cannot get away from their business to do so.

*Human Resource Problems*

A common complaint among most entrepreneurs is the amount of time needed for human resource problems. This can involve employees, customers, bankers, and professionals. The entrepreneur devotes many hours to employee motivation and encouragement. This can be an extremely difficult and tiring task.
When Chuck Frairy was asked what major problems he faces in his business he replied, “It is definitely the work force. It is difficult to hire the right people, train them, and then keep them from quitting.” Then there are problems when employees do not show up to work. Mr. Frairy complained that often times he has to do the employee’s job while neglecting his own.

**Need to Achieve**

Although the need to achieve is a trait necessary for any successful entrepreneur, it also brings with it a high level of stress. Many times, the entrepreneur tries to achieve too much. This added amount of stress could be detrimental to the health of the small business owner. Despite the pending health problems, many entrepreneurs cannot slow down. They are afraid that if they take a break, someone else will steal their business.

Max Goecker spoke of his need to achieve by saying, “Everything is more rewarding, but can also be more frustrating.” Mr. Goecker wants to achieve all he can from his business, and when he does not, it is very stressful. He summed up the situation by proclaiming, “The highs are higher, and the lows are lower.”

**How Are Entrepreneurs Different**

In a study conducted between entrepreneurs and non-entrepreneurs, or career professionals, several essential areas were found to be different between the two. The first involves the discriminant analysis. When asked what makes a person a success, each of the two groups answered differently. The career professionals chose being well-educated, while entrepreneurs chose owning their own company.

When examining power-distance variables between entrepreneurs and career professionals another interesting difference surfaced. Entrepreneurs believe that a change
in social status is open to all people while the career professionals did not. This is mostly due to the feeling of empowerment many entrepreneurs have. They also believe in internal locus of control where they are in control of their own destiny.

The next interesting finding was in the uncertainty avoidance area. Entrepreneurs felt that starting a company meant risk but also an added level of excitement. To the entrepreneurs, risk was not necessarily bad; they found it somewhat enjoyable. The career professionals felt different in this area. They were afraid of failure. They all believed that failure meant losing face. They did not want to lose their respect, while entrepreneurs saw the situation as a learning experience.

In the area of masculinity for the entrepreneur, they viewed success as making lots of money. The career professionals did not quite feel the same way. They were more interested in their private life than the wealth involved. The results in this area suggested that entrepreneurs are more highly motivated to obtain economic and recognition rewards than are their non-entrepreneurial counterparts.

**Conclusion**

Entrepreneurship can be a difficult concept to define. There is no specific set of characteristics that must be had for one to be an entrepreneur. Using the concepts developed throughout this paper, one can get a better understanding of what entrepreneurship is. There is a distinct difference between an entrepreneur and someone who is a manager. When Chuck Frairy was asked about what was needed for an entrepreneur that other career professionals might not possess, he said, "Guts and persistence in large quantities."
As one can see from reading this paper, entrepreneur is not just a job title, it is a way of life. Being an entrepreneur impacts every aspect of a person’s life. They are bigger risk takers, but they do everything possible to minimize that risk. For entrepreneurs, success in business is all in the state of mind. This reminds me of a poem that an entrepreneur shared with me:

“If you think you are beaten, you are
If you think you dare not, you don’t
If you’d like to win, but you think you can’t
It’s almost a cinch you won’t
If you think you’ll lose, you have lost
For in this world you will find
Success begins with a fellow’s will,
It’s all in the state of mind.”
Works Cited


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