

Can entrepreneurial success be predicted?

Benchmarking the motivations of successful entrepreneurs and business builders

01

INTRODUCTION

BACKGROUND

For more than 20 years, my passion has been to work with those who invent the businesses, lifestyles, tools and the culture of tomorrow—the people who create our world’s future.

During my childhood, my father owned a small fashion business representing numerous global fashion brands. Passionate as he was about his customers and these brands, we as a family traversed the anxious ups and downs of regularly not being paid by these brands as was agreed or on time.

I remember thinking, “There has to be a better way of running this business”—but my father wasn’t open to alternate approaches from a 12 year old. Instead, I turned to my daydreams of businesses and how I would run them.

When I eventually did start my first business in 1997, one of Australia’s earliest professional coaching firms, we attracted an international niche of creative artists such as actors, writers, producers, inventors and entrepreneurs. While coaching these business owners—some already

very successful and others struggling—I noticed that as we facilitated changes in their personal attitudes, motivations and beliefs, something important happened: those changes had a big impact on their business results.

What I have loved about working with creative entrepreneurs is that they’re hungry to learn, passionate, authentic and alive. They’re not constrained by corporate norms and cultural dogma—these business people want to do new things, they want to make an impact. I could see a direct relationship between our personal work and our clients making a genuine difference in the world.

After noticing this relationship, I was eager to scientifically test my thesis that people’s motivations and attitudes influence their business outcomes. This paper presents key findings from a 15-year qualitative and a quantitative study¹ into the attitudes and motivations of Australian entrepreneurs and business builders and the relationships to venture failure and success.



Michelle Duval

Founder & CEO

Fingerprint for Success

¹Duval, M. (2013). *The Success and Failure, Attitudes and Motivations of Australian Entrepreneurs and Business Builders*. MA. University of Derby.

Are there specific entrepreneurial attitudes and styles that influence venture success?

For investors, accelerators, incubators and founders, this is literally the million—or billion—dollar question.

EXECUTIVE SUMMARY

To date, the field of entrepreneurial research and the entrepreneurial ecosystem itself has been in great debate regarding the definition of an entrepreneur and what personality or behavioral traits can distinguish him or her from the rest of the population. However, few studies have explored the attitudes and motivations of entrepreneurs or the relationships between motivations and venture failure or success, let alone the different requirements in entrepreneurial attitude at different stages of venture growth.

From the findings of a world-first 15-year qualitative, and a quantitative study, concluded in 2013 by Michelle Duval, Founder & CEO of Fingerprint for Success, this paper summarizes:

- Work attitudes and preferences that distinguish successful entrepreneurs from the rest of the working population (p 9)
- Attitudes and motivations that correlate with venture success and failure (p 11)
- Attitudinal ‘blind spots’ and the impact of motivational bias in entrepreneurship (p 22)
- Correlations between specific attitudes and funding, exits, profitability, and business sustainability and longevity (p 17)
- Critical differences required in entrepreneurial leadership between early and mature stage ventures (p 14)
- How venture success can increase through founder self-evaluation and application (p 25)

02

THE STUDY IN A SNAPSHOT

Is an entrepreneur born or can they be developed?

How do founder motivations predict venture success?

PREVIOUS RESEARCH

The majority of prior entrepreneurial studies have focused on which types of **personalities** or **traits** distinguish entrepreneurs.

Instead, this study looks at the **attitudes** and **motivations** that distinguish entrepreneurs from the rest of the population and also how attitudes and motivations predict venture success and failure.

This study is also the first to assess attitudes and motivations of business owners at different stages of venture growth, including early stage and mature businesses.

In this study a motivation refers to a preference, style or attitude.

Different from fixed 'personality traits', motivations filter our day-to-day experiences. They determine what we pay attention to and how we derive fulfilment and satisfaction. Motivations can change with context.

METHODOLOGY

From 15 years of qualitative case studies collected using emergent Grounded Theory, a hypothesis was formed that there is a relationship between attitudes and motivations and venture outcomes at different stages of venture growth.

Quantitative methodology was employed to test this hypothesis. Participants completed two questionnaires: one assessed 48 attitudes and motivations using Inventory of Work Attitude and Motivation (iWAM).¹

The second questionnaire collected data on business results: number of businesses founded or purchased, number of employees, age of business, profitability, number of co-founders, failures, number of investment events, etc.

Correlational analysis and statistical models were used to measure the statistical relationship between motivations and specific variables in business results.

¹Harshman, C.L. (2009). *Decoding behaviour to improve results. Using iWAM to unlock motivational and attitudinal patterns*. Brentwood: The Institute of Work Attitude and Motivation.

DATA COLLECTION AND SAMPLING

Data was collected from a 'hidden population' of successful Australian business owners between 2009-2013 and a sample from the general Australian workforce. Sample size: 96 business owners representing 317 Australian businesses, of which 218 were studied.

Business owners are defined in this paper in three categories:



Entrepreneurs

Founders who started and exited a business within **5 years for a full or partial sale price of between \$6m-\$1.2b**



Business Builders

Founders or owners who profitably **grew a business over 10+ years**



Bankrupt

Founders or owners who were currently **bankrupt due to a failed business**

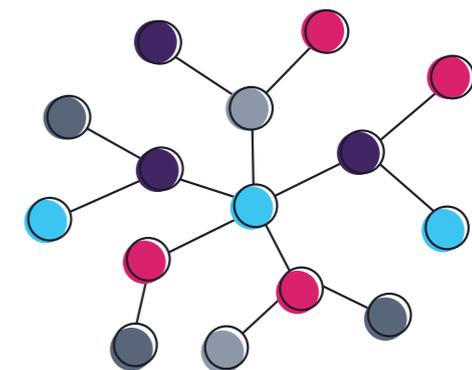


Australian Workforce

One stratified sample of the current Australian workforce collected between 2002-2013. Sample size 2,474².

FINDINGS

The research found **statistically significant differences between the attitudes and motivations of Australian business owners and the rest of the working population** and also between **entrepreneurs** and **business builders**. The studies also found statistically significant correlations between specific motivations such as **profitability, funding, business failure, longevity** and **successful business exits**.



²Stratified fractions used were guided by occupations reported in the Australian Census, Australian Bureau of Statistics, 2013.

DEMOGRAPHICS



BUSINESS OWNER
MEAN AGE

44

RANGE

27-81

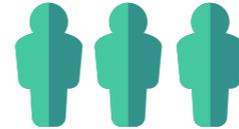


VENTURE MEAN AGE

11 years

RANGING BETWEEN

1-48 years trading



NUMBER OF
EMPLOYEES

2-5,000

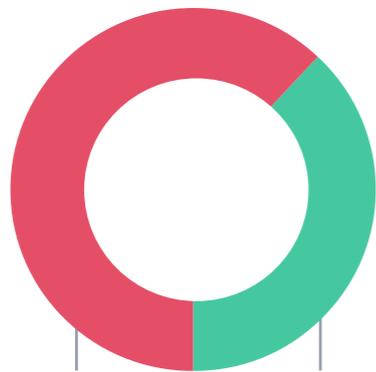


MEAN NUMBER OF
CO-FOUNDERS

2

RANGE

1-6



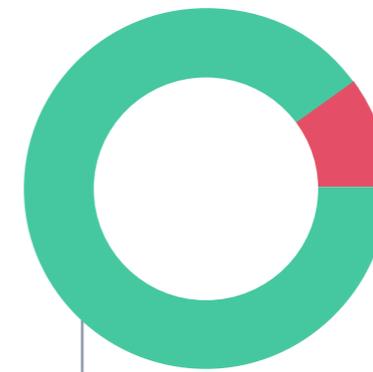
62%
Men

38%
Women



38%
sole-founded

62%
co-founded



90%
of businesses
started by
the owner

10%
purchased

03

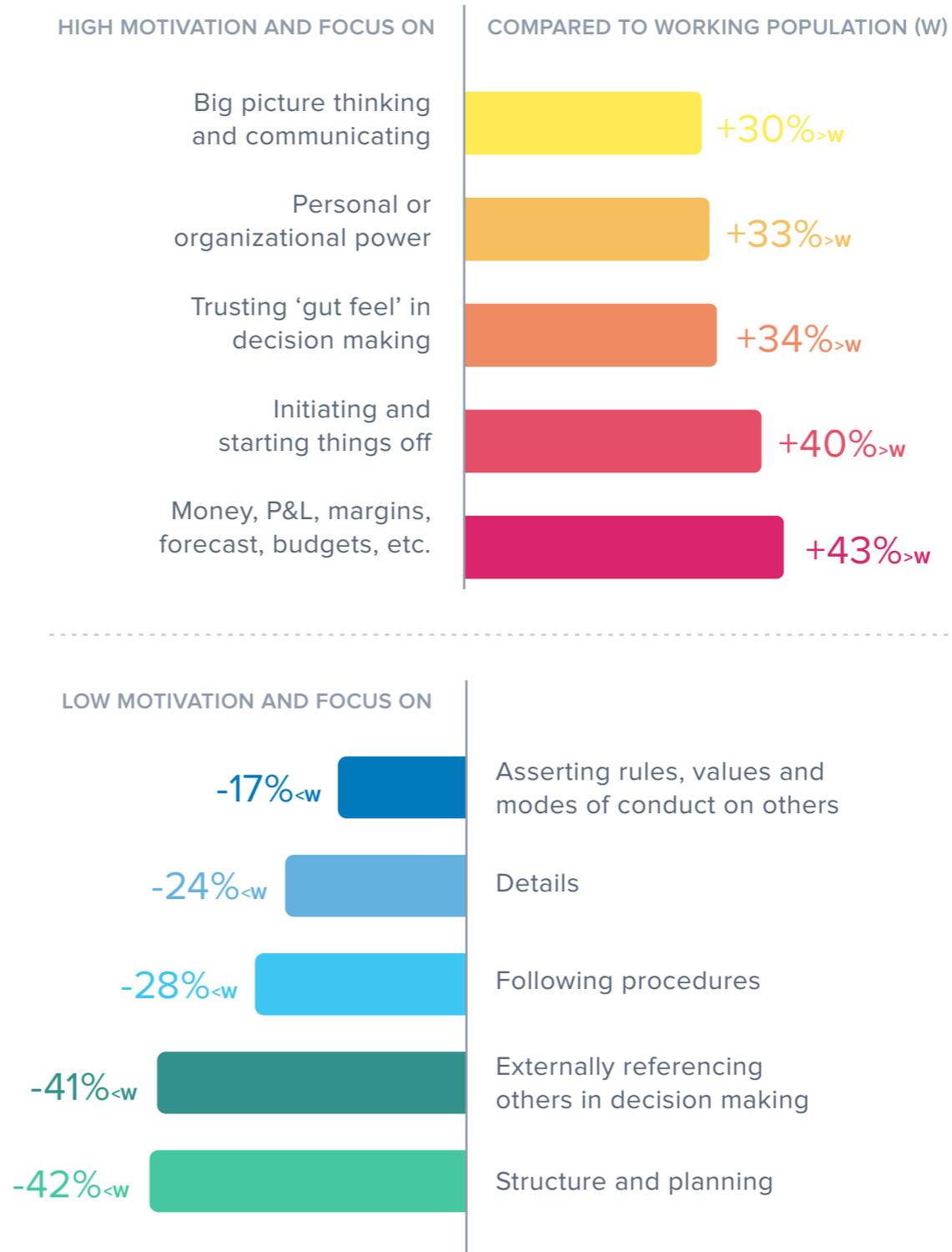
DISTINGUISHING SUCCESSFUL ENTREPRENEURS

What distinguishes successful entrepreneurs from the rest of the working population?

It's no secret that entrepreneurs are different from the majority of the working population. But in what ways? What motivates and drives them?

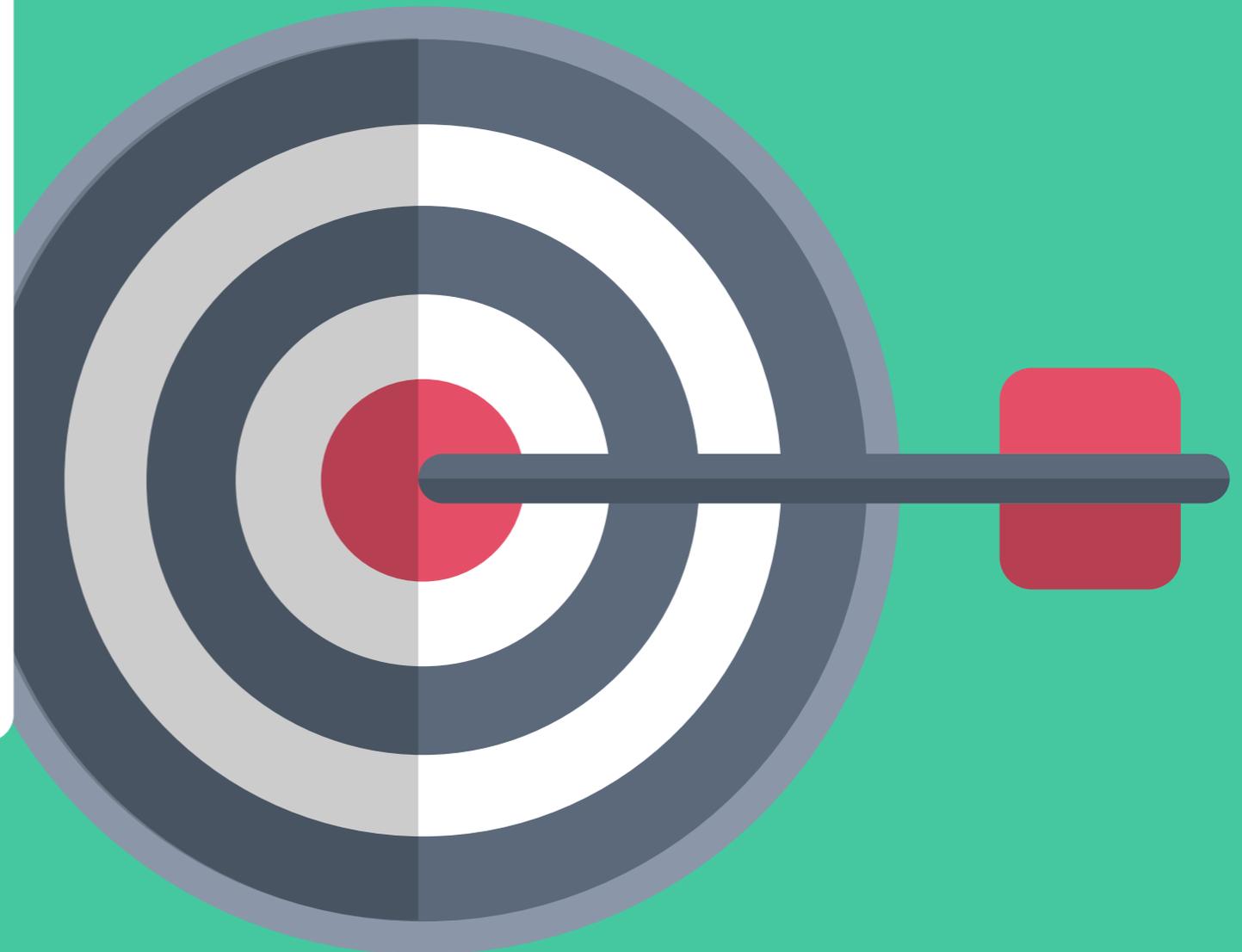
The research revealed the key differences between entrepreneurs—those who successfully start, scale and exit business in 5 years and the rest of the working population.

WHAT MOTIVATES ENTREPRENEURS



INSIGHTS

- It was expected that entrepreneurs would have a **higher motivation to turn their ideas into action and focus on money** than the rest of the working population, but by how much was surprising: **40-43% more**.
- While founders are often criticized by corporate leaders and sometimes boards for their low focus on details, procedures and planning, it is this very low priority that was found to correlate with venture success. In fact, **a too high or too low focus on structure is found within those who experienced business failure**.



THE HUMAN FACTOR IN VENTURE SUCCESS

The study found statistically significant differences in the attitudes and motivations of the highest performing entrepreneurs and business builders in the study, contrasted with a sample of those who experienced business failure and bankruptcy.



Successful early stage venture founders in comparison to those who experienced business failure have:

+27%

more motivation for personal or organizational power

+24%

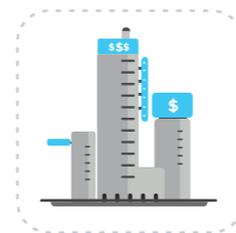
greater preference for abstract global thinking and communicating

+21%

more energy to initiate and start things off

+20%

more focus on money (P&L, margins, forecasting, budgets)



Successful mature stage in comparison to those who experienced business failure are:

+36%

more convinced by hearing a presentation or feedback

+20%

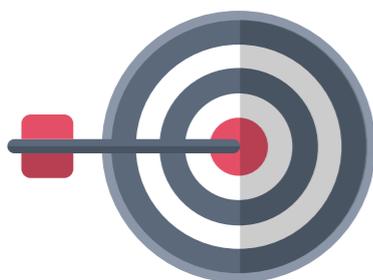
more motivated by goals and targets

+14%

more convinced by reading reports, emails or research

+11%

more driven to achieve



INSIGHT

A motivation for power is a significant finding in distinguishing an entrepreneur's motivations from the rest of the working population and is correlated with venture success, and also found to correlate with the number of successful business exits.

THE HUMAN FACTOR IN VENTURE FAILURE

There were three statistically significant attitudes and motivations that have a relationship to failure:



Entrepreneurs:

Preference for structure, planning and organization is correlated with failure



Business Builders:

Higher preference for scepticism prevents founders being confident and convinced

Those who failed in early stage ventures were found to have on average:

+24%



higher preference for structure and planning

+22%



higher focus on systems

+21%



higher focus on details

Those who failed in mature stage ventures were found to have on average:

+26%



higher preference for scepticism in decision making

+20%



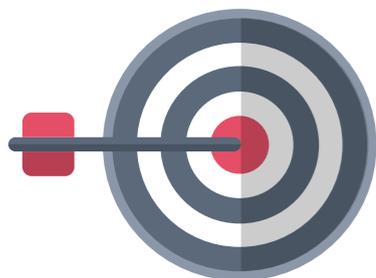
higher focus on affective* communication

+14%



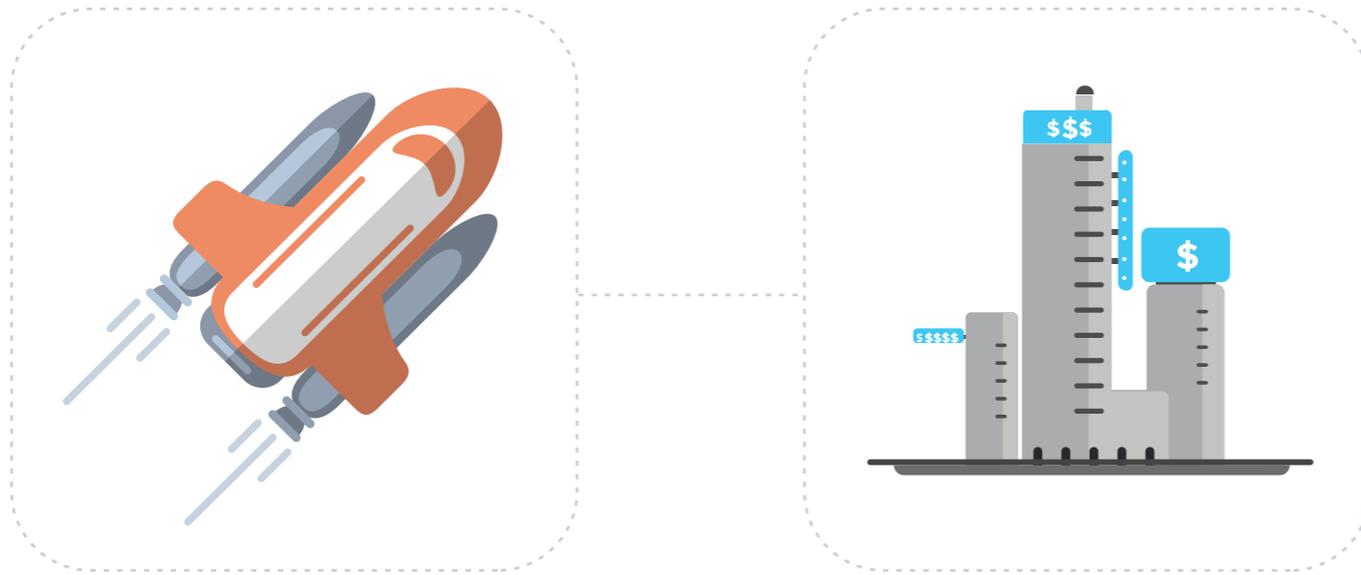
higher need for change in their functions every 3-18 months

*Affective communication is a priority to attend to non-verbal communication, such as eye contact, facial expressions, posture and tone of voice.



INSIGHT

Many things that lead to venture failure are beyond the control of the business owner: lack of interest from the market or external factors like the fluctuations of the economy. But all things being equal, knowing that there are also hidden factors impacting business failure means that investors and business owners can anticipate and take measures to reduce the possibility of business failure. See Section 6 (p 24) for examples of business owners adapting.



Am I an **entrepreneur** or a **business builder**?

Most research to date has studied business owners as if they are all the same, without distinguishing the different attitudes and leadership demands of leading a business through the stages of business growth. These stages include creation phases through growth, sustainability, maturity, and innovation phases, all the way through to sustainable return on investment for the business owner and investors.

Not all founders are identical.

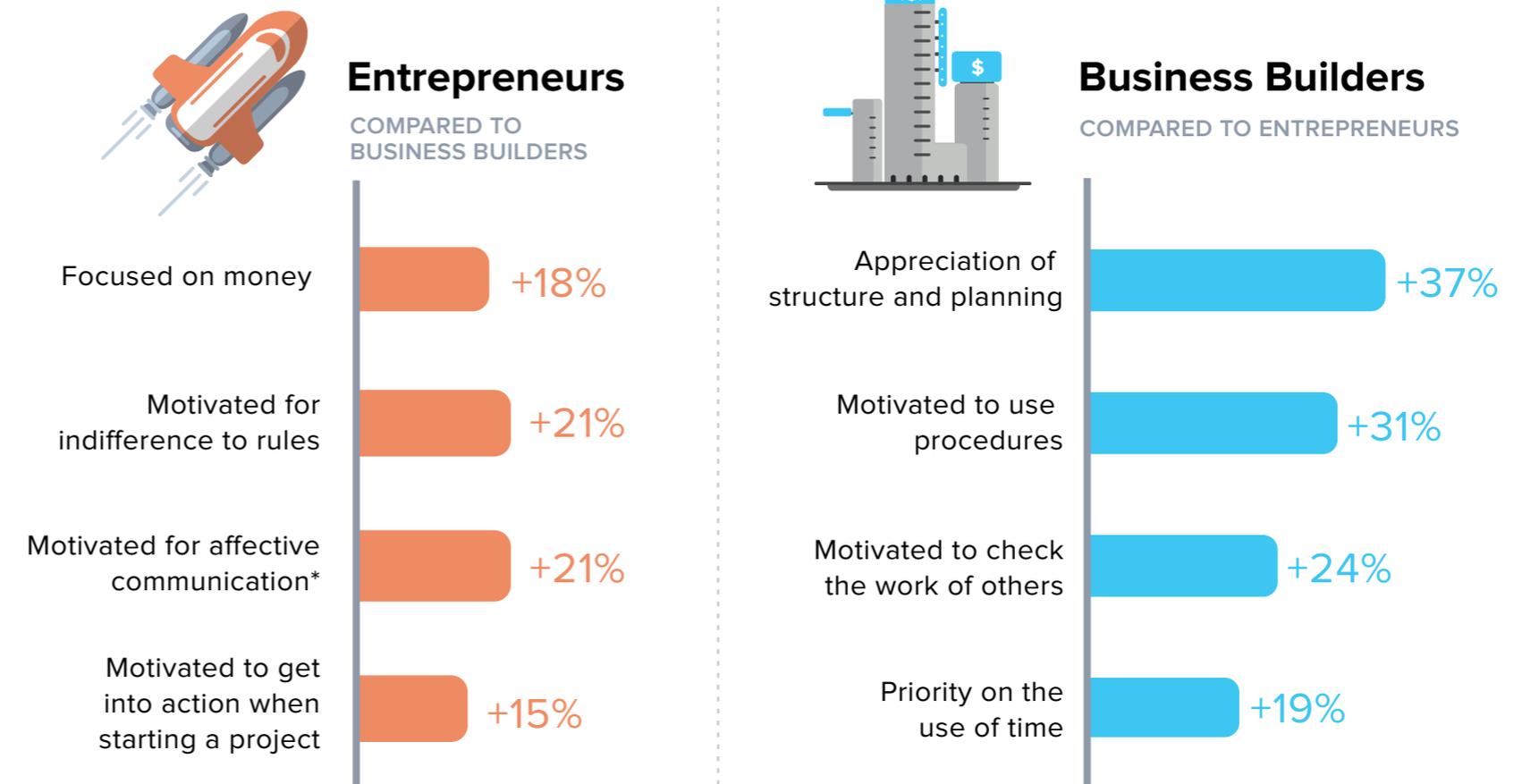
Some are entrepreneurs —building, scaling and then exiting a business within 5 years and starting the cycle again.

Others build a business that they grow successfully over a long period of time.

What distinguishes Entrepreneurs from Business Builders?

Some of the key findings from the assessment of 48 attitudes and motivations

AS A BUSINESS MATURES, HOW DO THE MOTIVATIONS OF THE BUSINESS OWNER CHANGE?

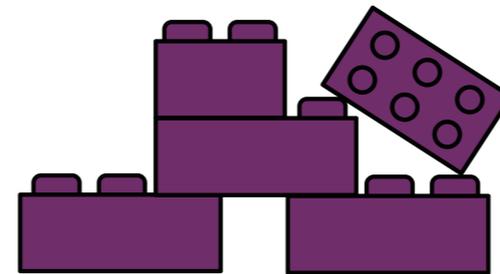


* Affective communication is a priority to attend to non-verbal communication, such as eye contact, facial expressions, posture and tone of voice.

INSIGHTS

A critical insight for founders, boards and advisors is that the specific entrepreneurial attitudes correlated with early stage success are different from those related to mature stage success.

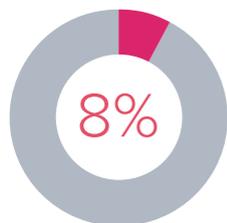
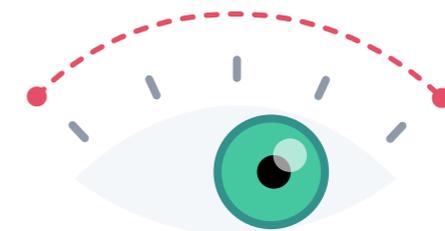
Of significant difference is the low priority and attention given to structured planning or use of procedures in early stages and how this priority significantly increases in those leading mature ventures.



Case studies demonstrate that founders with too high a focus on structure and procedure in early stages over-prioritize their limited resources on planning and fail to get into action quickly enough to test or implement their concepts.

Equally, those who over-prioritize using a step-by-step procedure early on most often will fail to notice when to adjust and adapt to the unique circumstances present in their early stage venture.

Case studies also demonstrate those who succeeded through early stages due to their low priority on structure and procedures will often fail to recognize their need to increase their focus on these as their venture matures. This blindness becomes their Achilles' heel when seeking to scale.



A very narrow and low motivation level for 'structure' (a mean of just **8%**) was found in those who achieved early stage venture success. It is important to note that any less interest in 'structure' in an early stage venture was found in those who reported business failure.

04

THE IMPACT OF ATTITUDE

HOW DOES ATTITUDE IMPACT PROFITABILITY?

The research explored how particular motivations correlate with profitability.

Early stage

-  While a low interest in asserting codes of conduct or rules on others is found as a distinguishing motivation for entrepreneurs from the rest of the working population, **assertiveness** is also found to **positively correlate** with early stage profitability
-  A focus on **location, place, and context** is found to positively correlate with early stage profitability
-  A preference for **sharing responsibility** is positively correlated with early stage financial loss

Mature stage

-  **Motivation to reference the past** is found to positively correlate with mature stage profitability
-  **A motivation for depth orientation**—a priority to seek out details—is positively correlated with mature stage profitability
-  Motivation to **work within a group environment** is found to negatively correlate with mature stage profitability
-  A motivation for **internal reference**, a priority to trust one's own 'gut feel' or judgement over external references is correlated with financial loss



INSIGHT

Validated in our research findings, entrepreneurs at any stage of business pride themselves on trusting their 'gut feel' and intuition. And while a low motivation for external references in decision making is found to distinguish entrepreneurs from the rest of the working population, case studies and correlational studies into profitability reveal that as a venture grows, so too does the business owner's need to externally reference. External references include advisors, boards and feedback from customers and team members.

HOW DOES ATTITUDE IMPACT INVESTMENT?

Can a founder's preferences and motivations improve the chance of getting investment? The research found correlations between number of investment events and specific motivators.

In this study, an 'Investment Event' is when a business goes to market with a prospectus to gain additional funding to expand and further grow the business. In return for investing the money in the venture, the investor usually becomes a shareholder in the business, or takes a percentage of ownership known as 'equity'.

Early stage investment

- ↑ Motivation for **reflection** and patience is correlated with a **higher number of initial investors** and **subsequent investment events**
- ↑ Motivation to focus on what is **different**, new and revolutionary is **positively** correlated with **number of initial investors**
- ↓ **Trusting in one's own criteria** when making decisions is **negatively** correlated with the number of initial investors
- ↓ **Being automatically convinced** by someone or something is **negatively** correlated with number of **initial investors** and also the number of **investment events**

Mature stage investment

- ↓ **A focus on place** (location, context, geography) is negatively correlated with the number of initial investors and subsequent investment events



INSIGHTS

While a compelling deck and a tight elevator pitch are usually considered the requirements for securing investment, founders' attitudes are equally important. If an entrepreneur has a blind spot for these motivators, ensuring that a co-founder or team member has these motivations can enhance chance of success.

HOW DOES ATTITUDE IMPACT BUSINESS LONGEVITY?

At the time of the study 34% of businesses were at the early stage of 1-5 years, and 54% had been successfully growing for more than 10 years and as long as 48 years.

1-5 YEARS

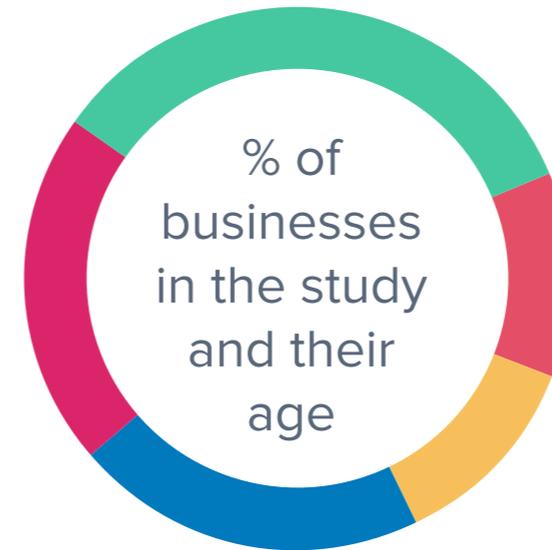
34%

6-10 YEARS

21%

11-15 YEARS

21%



16-20 YEARS

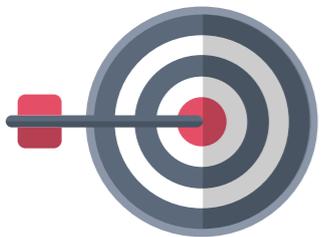
12%

20+ YEARS

12%

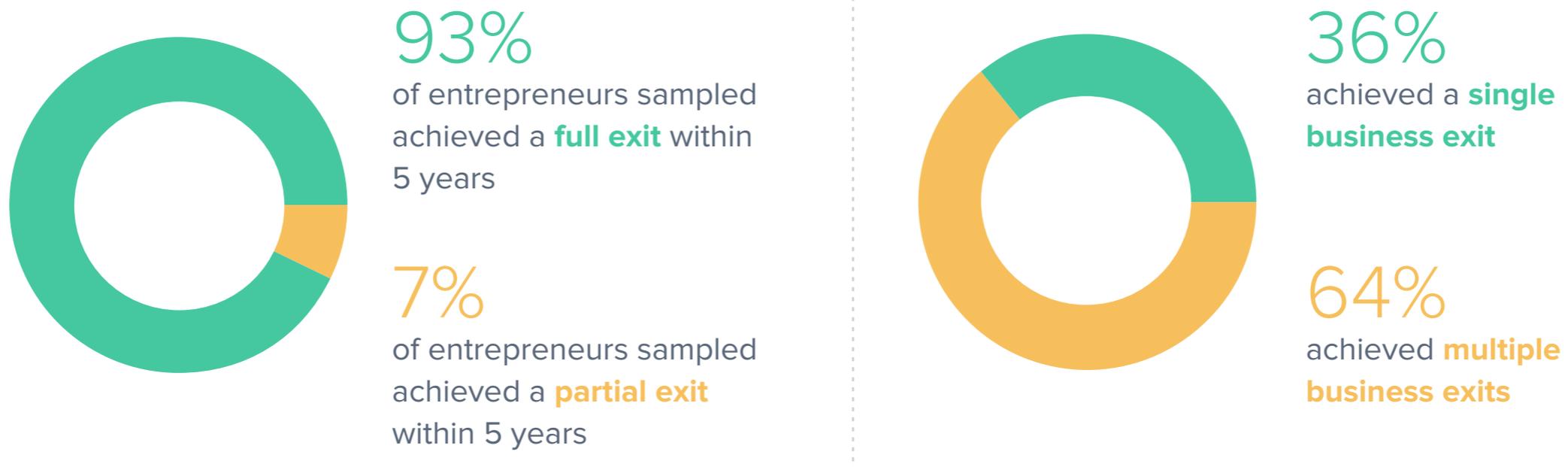
Significant **positive correlations** were found between business longevity and:

- A focus on **tools** and **instruments** such as technology, check lists, instruments and processes
- **Indifference to rules** or standard norms of conduct
- A preference for **affective**—or emotive—communication



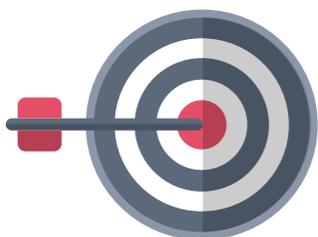
HOW DOES ATTITUDE IMPACT NUMBER OF BUSINESS EXITS?

A successful exit in this study is defined as either a full or partial sale of a business that resulted in the founder(s) or owner(s) no longer working within the business.



Attitudes and motivations found to correlate with the number of exits achieved:

- A motivation for power i.e. **personal control** or **control over resources**
- A motivation to use personal **experience** or experience others have had in the **past**



INSIGHTS

- As found in these correlations and demonstrated in case studies (p 25), successful serial entrepreneurs, rather than reinvent the wheel, are motivated to actively seek out and learn from their own and others' past mistakes and experiences.
- Not shying from responsibility, serial entrepreneurs seek positions and situations where they will have control over their own destiny and the resources of the organization they are leading.

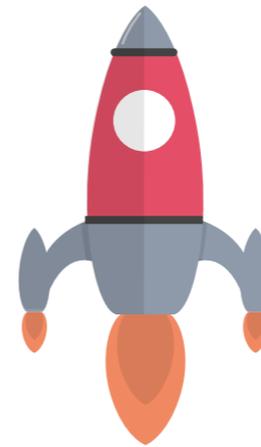
05

BUSINESS BLIND SPOTS

We all have blind spots.

They might be literal blind spots, like when you're driving and changing lanes, or trying to see what you look like from behind. Then there's the less tangible blind spots: the ones that prevent us from working optimally in different business environments, because we simply cannot see them.

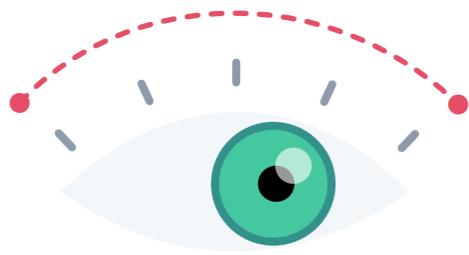
Blind spots in entrepreneurship are specific motivations found to have significance in venture success that you have either too much interest in or not enough. Due to the possible blindness they give you, if not identified, these motivations are risk factors to your success.



Successful entrepreneurs, for example, are found in the research to have a high motivation for rapid action when presented with a business opportunity or idea—especially in the early stages. An aspiring entrepreneur with a low motivation to act will likely find it more difficult to achieve success in the early stages of a business, when moving quickly is found to be key. Without awareness, this low motivation becomes a blind spot.



On the other hand, the research also found as a business matures and stabilizes, that speed to act needs to be tempered with more patience and reflection to maintain success. Without awareness, motivation that was helpful at one stage of business becomes a blind spot at the next.



When we learn to drive, a driving instructor teaches us about our blind spots—and they teach us to check our blind spot to avoid crashing. Without instructors, most founders don't know that blind spots exist, let alone what their own are or how to approach them.

You have to locate and embrace your blind spots and ask, 'What am I going to do about them?'

If you're low on initiating action, it could become a serious problem in business, but when you are aware of this as a 'blind spot' and just how much of a blind spot it is for you, you can ensure that you are supported by others who naturally 'see' what you do not. You can curate what you need from a possible coach, co-founder(s), advisor(s), board members and key recruits that complement your natural attitudes and motivations.

A note on blind spots:

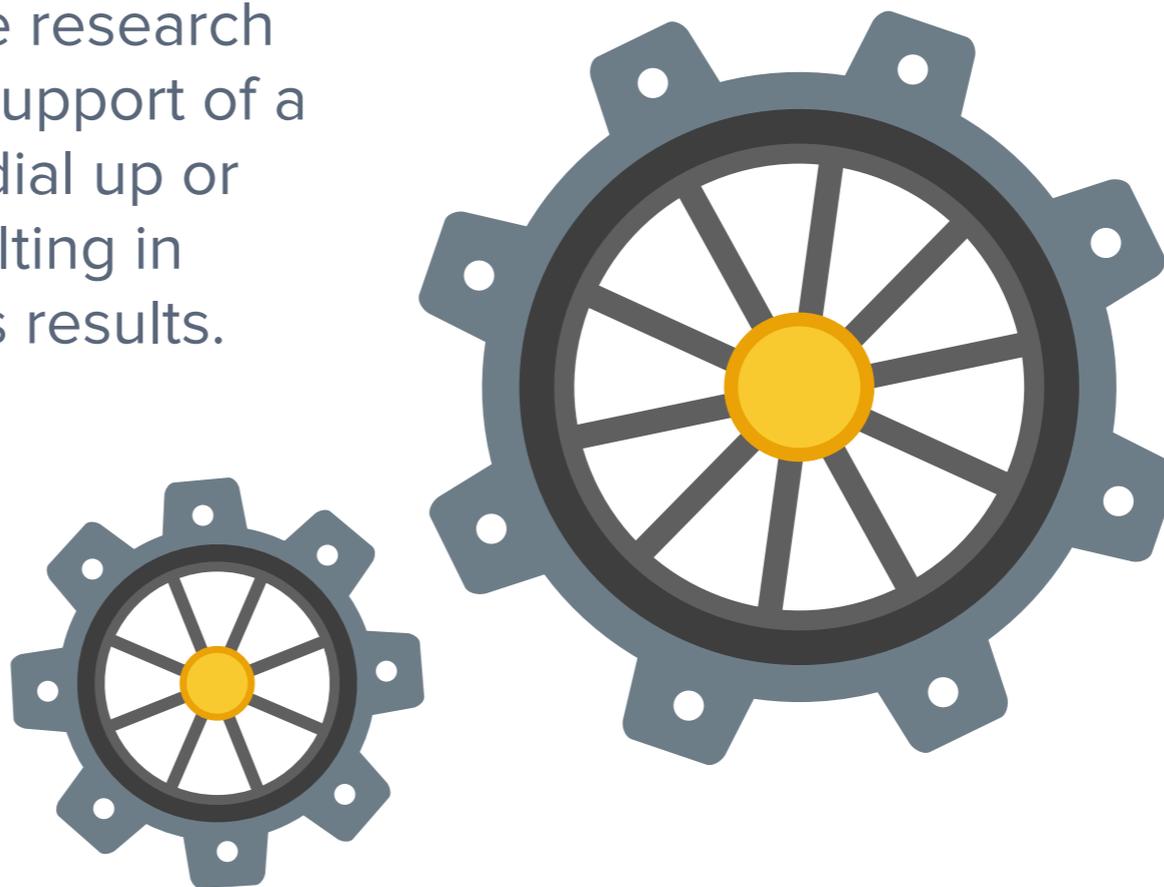
Blind spots aren't flaws or even weaknesses. In fact, attitudes and motivations found in this study to be blind spots are only so for the business domain. In other domains these very same motivation levels can contribute to incredible talent and results.

06

ADAPTABILITY: CASE STUDIES

Fortunately, our attitudes and motivations are adaptable.

From the results of 15 years of longitudinal case studies, the research demonstrated that with the support of a professional coach, we can dial up or down specific attitudes, resulting in positive changes to business results.



CASE STUDY 1: ACHIEVING BUSINESS SUSTAINABILITY

Increasing Focus on Money

Co-founders aged 36 and 42 who were in an 8-year business partnership found they struggled to stick with any one business for longer than 18 months before moving on to try a new business. They had lost money, and were seeking coaching to increase the longevity of their businesses and to increase revenue and also profitability.

At the start of their coaching program, each partner took the iWAM, the same questionnaire used in the research, to assess 48 of their attitudes and motivations as individuals and also as a team. Each year, for 5 consecutive years, their attitudes and motivations were assessed and tracked, as were their business results in revenue and profitability.

Despite their mutual belief that they prioritized the financial side of their business, they both said they were “shocked” to learn from their first iWAM assessment that they were **48%** and **94%** less motivated by money than the research found in successful entrepreneurs.

With focused coaching interventions every two weeks, over a 12-month period they developed more appreciation, enjoyment and attention on financial modeling, forecasting, expense tracking and reporting of profit and loss. At the end of the 12 months, one partner stated, “I realize that I didn't at all prioritize or like the financials of our business, despite thinking I did. It is laughable.” The other stated, “I was completely blind to how unaware and unrealistic I was around around the budgets for our projects.”

During their second iWAM assessment, their **motivation for money increased to 110% and 140%***. In the third year, one partner **sustained their motivation at 140% and the other increased to 240%**. Over the last two assessments, they have both sustained their motivation at this level. They both reported their revenue to have incrementally increased by **482%**** and profitability by **403%** and to have extended the lifespan of this business by 4.5 years.



*Using the iWAM assessment scale where the average score is 50%.

**Change calculated using relative variance.

CASE STUDY 2: ACHIEVING INVESTMENT

Increasing Reflection and Patience

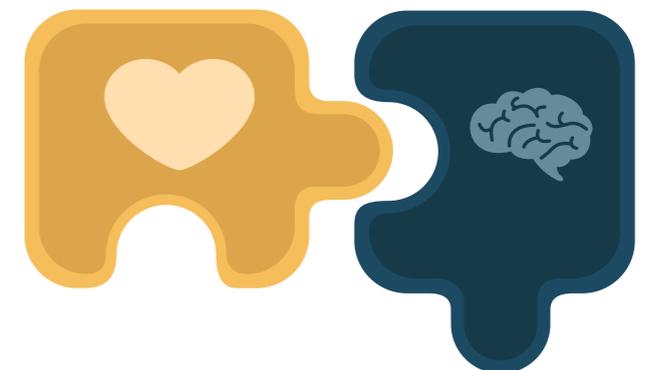
After a successful 20-year international corporate career, at the age of 41 a senior executive decided to fulfill a lifelong dream to start his own business and engaged in professional coaching to support this transition. At the commencement of his coaching—and twice more over a four year period—48 of his motivations were assessed using iWAM.

In the first assessment, he discovered he had a very low motivation (0%) for ‘reflection and patience’. This level is **50%** lower than the general working population and also **20%** lower than those who successfully start a new venture. How comfortable someone is to pause and wait—known as ‘reflection and patience’—contributes to strategic thinking, perseverance and emotional intelligence and is also correlated with securing funding in early stage ventures.

With a focused coaching intervention supporting him, he set about to increase his appreciation for reflection and patience. After a year, his motivations were again assessed and his level of preference for pausing before taking action moved up to **77%**.

At this time, while he stated, “I feel proud of my achievement and am seeing positive changes in my new awareness of others and how comfortable I am to let things go before pouncing on them.” He also said, “I feel I have become too complacent to act and I want to bring this down a little.” After self-coaching, he brought his motivation level to **50%** on his third assessment.

Six months after starting, he achieved an investment event in his new business.



07

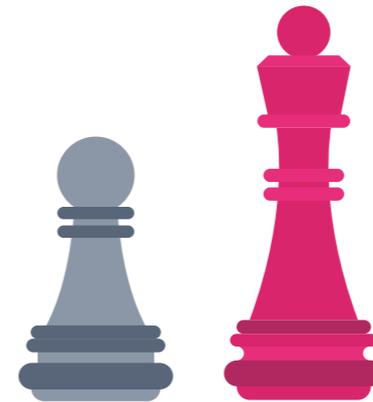
CONCLUSION



When any business is started, there's a lot riding on it: the founder's personal hopes and dreams, their investors' money, their team's livelihoods—even the potential to change the world and create the future.

Clear-eyed examination of motivators, attitudes and preferences leads to self-awareness, which is the first step towards change. It's this investment in themselves that allows founders to strategically approach the leadership of their businesses, the curation of their teams and the lifespan of their involvement in their company.

In the past, founders, investors, accelerators and incubators have relied on their 'gut feel' alone to make these critical decisions.



Today, this research allows founders and the entire entrepreneurial ecosystem that supports them, a comprehensive view of what motivates them and, crucially, how those motivations align with venture success at various stages of venture growth.

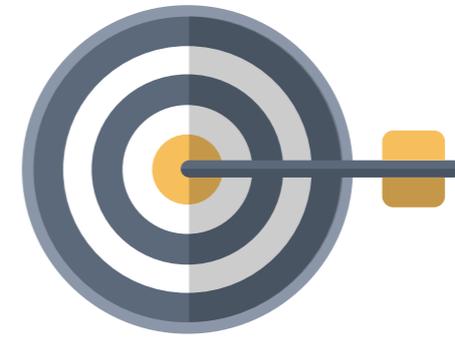
KEY TAKEAWAYS

There are 48 motivators that have been researched for their contribution to venture success, with significant statistical findings.

These findings are now available globally for assessment and benchmarking against.



Some motivators are more linked with venture success than others: the study found that correlations between key business milestones, such as profitability, investment events and business longevity, and certain motivators.



Armed with a clear understanding of motivators, preferences and attitudes, founders of all kinds can then invest in the tools and people they need to leverage those motivators that are aligned with venture success, and work to complement and embrace their blind spots.

ACTION STEPS FOR ENTREPRENEURS AND BUSINESS BUILDERS

Learn about and reflect on your motivators, preferences and especially your blind spots



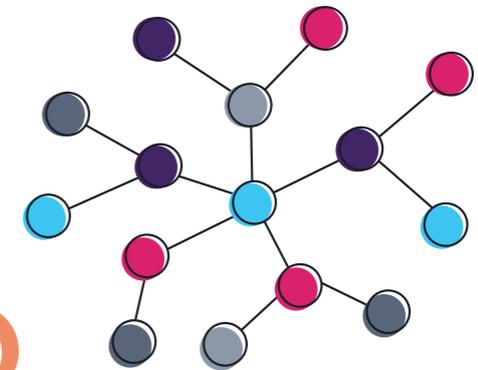
2.

Seek business partners, board members and early team members whose motivators complement and enhance yours



3.

Continually appraise the needs of your business: as it matures, you will require different attitudes in your leadership



About Fingerprint for Success

Through an interactive web app and community, Fingerprint for Success (F4S) provides founders with deep insight into their entrepreneurial motivations and blind spots, and the ability to curate co-founder chemistry. Used by investors and accelerators, F4S is a powerful tool for due diligence and founder development. Corporations also use F4S to identify and cultivate innovation and entrepreneurial talent. We help businesses build high performing teams that positively change the world.

For more information and to take your Fingerprint for Success visit fingerprintforsuccess.com