In conversation with habitual entrepreneurs

In 2000 and 2001 a team at the University of Surrey researched best practice in small businesses in hospitality and tourism as part of the ‘Profit through productivity’ initiative. This has lead to Andrea Bowen, Spinder Dhaliwal and Peter Jones becoming interested in specific types of entrepreneur, so-called ‘habitual’ entrepreneurs. This article seeks to explore the similarities and differences between these alternative types of habitual entrepreneurs.

The archetypal entrepreneur is someone who owns one small business, and continues to do so for many years or grows it into a bigger business. Habitual entrepreneurs, however own many businesses – sometimes one after the other (sequential entrepreneurs) or sometimes at the same time (concurrent entrepreneurs). Moreover, such habitual entrepreneurs may stay within one specific industry sector (serial entrepreneurship) or range across a range of different sectors (portfolio entrepreneurship).

Habitual entrepreneurs are being hailed as extremely important to the economy, particularly in terms of wealth creation. These habitual entrepreneurs (or repeat entrepreneurs) own a number of businesses, either sequentially or concurrently, and are continually starting up new business ventures, whether independently or as part of teams. Despite this we know surprisingly little about them, especially in the hospitality industry. How are habitual entrepreneurs different to archetypal entrepreneurs? Are sequential entrepreneurs different to concurrent ones? And are serial entrepreneurs, who always operate in the same sector, different to portfolio operators, who own business in different sectors?

To answer these questions we talked at length with eight entrepreneurs who have established a number of businesses in the hospitality industry. These businesses range from hotels and restaurants, leisure facilities and golf courses.

Underlying motivation

We first asked what really motivated them to start other business ventures, instead of expanding their current business or developing business chains of identical businesses. Amongst the sample of entrepreneurs their motives were quite diverse and often these motives changed over subsequent businesses. Some of the main motives identified are outlined below.

• Opportunity in the Market, Discovery of a New Concept or Niche

This was a frequently cited reason – their basic ability to see, and seize upon, an opportunity. As one interviewee said:

*I don’t know – I just saw it as an opportunity, I saw a gap in the market, thought I was young – might as well try things once. If it didn’t work I had enough time to go and work for somebody else.* (TB Interview)

Another explained:
the whole of my career has been spent finding niches which are likely to be unexplored and un-explorable by most people for one reason or another.

(PM Interview)

For a third it was described as follows:

it was a natural progression. It’s a food business. I was always in the food business. I trained as a chef so I have knowledge of food and then, you know, once you have a business you see other openings in the market … When you see the opportunity you take them. The important thing is not to govern yourself, not to give guidelines, so you can do anything you think is worthwhile and making money really. (TB Interview)

• Success…or failure!

In some instances, they were motivated by the achievements of previous ventures undertaken.

It paid for itself in two years completely. I bought the freehold and the whole thing and then actually made a big enough profit to pay for it within two years. That encouraged me no end and within a year of opening that one I bought an old wreck of a building … and within a year I’d converted that to a top luxury hotel – again very successful restaurant – and all on borrowed money. (DNW Interview)

In other cases, pursuing another venture was perceived as a necessity for survival as previous ventures had failed due to adverse market conditions. In this example the entrepreneur started a consultancy business

And so I found myself literally with the contents of my house and that was it, which I auctioned …and I was living on the credit cards largely and, you know, doing what I could; I started, I became a consultant to a number of hotels … so the money kept coming in to some extent. (DNW Interview)

Another one commented:

Well, of course, as you can see from most of what, of the things that I’ve listed, necessity has driven it in the first instance … (RH Interview)

• Seeking Autonomy and Pursuing Life Long Dream etc

Others spoke of how far back in their life such aspirations had begun. For instance:

Well, it’s what I always wanted to do as a kid …I’m fairly sort of single-minded, I can be persuaded but I generally know which direction I want to go in and where I want to get to. And I’m happy to make the odd deviation but I don’t want to go round the houses to get to where I was going to get to in the first place. (IE Interview)

In some case these aspiration were fuelled by the fact that their parents were entrepreneurs:

I don’t think it made me frightened of running my own business – it seemed much more natural to run your own business. If … I think it’s really daunting for a lot of people to set up and run your own business and if you, if your family have been business people, it’s what you talk about over supper, isn’t it? So you listen, or it’s what they talk about over breakfast, so you listen. I just think it becomes more natural. If you had two parents who were university dons you’re much more likely to become a university don yourself. (TH Interview)

Others just liked the idea of a challenge:

I think the creativity – I think the challenge of whether you can or can’t. I think having an idea and having the conviction that that idea is – can generate some income as well – is important and I think that goes with a free spirit as well, and that you don’t feel sort of confined. (TH Interview)
What emerged from these discussions was that portfolio entrepreneurs were more likely to cite motives such as pleasure, determination to be financially successful and ‘failure’. None of the serial entrepreneurs mentioned these factors. The emphasis for the serial entrepreneurs was belief in the concept, market opportunity, seeking autonomy and a pursuing life-long dream. For the serial entrepreneurs, the opportunity sought related directly to their area of expertise and was subsequently developed due to identified potential and also to differentiate their offering from what was currently available in the market.

But motivations change between first and subsequent ventures. It was dependent on a wider variety of factors, such as change in market, ability to access key stakeholders and also the accumulation of wealth. One key factor that impacted on this change of motives was enhanced confidence developed through previous successful ventures as well as the accumulation of key skills and contacts to facilitate the development of any idea or opportunity. They also stated that opportunities sometimes emerged in connection with problems and often one opportunity led to another. This also highlights their creativity and optimism as they always felt they could successfully come up with a feasible solution themselves.

Opportunity recognition

How do habitual entrepreneurs identify a good opportunity? Is it luck or judgement? Amongst the participants the serial entrepreneurs stated that they did minimal searching on an individual basis or through prompting by friends or relatives. This was also the case for most of the portfolio entrepreneurs – at least in the early stages. One of the serial entrepreneurs summed up his experience as follows:

…I knew what I wanted to do. I had the money to do it and I just went in, not with my eyes closed, but I just went in on a whim really; didn’t know whether it would work... (IE Interview)

Another explained:

I just felt that it was the right time to acquire something for ourselves and that’s what I did. (MS Interview)

It could be inferred that some of the entrepreneurs were overly optimistic, unaware of the boundaries of their own knowledge, which in some instances led to over-estimating the likelihood that the ventures would succeed. Some admitted as much:

When I first started, you believe you’re untouchable, and we made a couple of mistakes. We opened a pub with a partner and it didn’t really work, because you just believe you can do it and what you really learn is, when you get a bit more mature, is that you’ve got to look more into it, instead of just bulldozing in and just believing that everything’s right... (TB Interview)

Another agreed:

I mean I thought, at that stage, that I could walk on water: you know, you think – you being very successful – that everything you do is gonna be a success and you don’t really take into consideration any outside factors that may cause problems for you in the future. (DNW Interview)

There was evidence of entrepreneurs using very limited information to make snap judgements. They basically did not allow limited resources to restrict their options and often made decisions with little or no specific market information or research into whether the new products or services would be accepted, preferring to rely on their own ‘gut feeling’:

so I knew the area vaguely but I didn’t, again, I didn’t really explore it ... You feel very confident about your ability and you say, 'Well, if it’s any good, people will find it out,
But all of them demonstrated their ability to learn from previous business ownership experiences. This entrepreneurial learning goes beyond acquiring new information, by connecting and making inferences from various pieces of information that have not previously been connected. These inferences build from individual history and experience and often represent ‘out-of-the-box’ thinking:

…but I think the biggest thing that entrepreneurs tend to do is, that you will make and you will do, is have a lot of mistakes and it’s letting yourself make those mistakes so you can benefit from them. (TB Interview)

The following example illustrates how experience may not strictly enhance opportunity-recognition ability, particularly when factors such as previous personal failures eroded self-confidence:

…I was certainly not making good business decisions because I was still in limbo, in shock from what had happened (referring to previous business failure) and I wasn’t expecting it… and anyway that’s my excuse for it not holding together but it didn’t hold together anyway….. (RH Interview)

This supports the contention that habitual entrepreneurs associated with liabilities (e.g. over confidence, subject to blind spots, illusion of control, personal failures etc) use narrower information searches and this often results in business failures.

**Previous experience**

The entrepreneurs in this study had significantly different educational backgrounds and only one participant completed a postgraduate degree. Only a minority of the participants completed any hospitality-related education or had undertaken any specific training – however, several had built up key skills as they progressed through their careers and set up businesses.

Amongst the eight, only one of the portfolio entrepreneur’s companies originated as a spin-off and this was subsequently closed and he started up a spin-out business. All of the other ventures were started up independently, fully utilising the experience gained through every subsequent venture. There is much evidence from the interviews to suggest that this is an integral component for the habitual entrepreneurs and they had used their experience as leverage to access funding, information, networks and other resources. Interestingly, they put more emphasis on the tacit lessons learnt, such as building alliances and coalitions of people from a variety of influences, thereby surrounding themselves with people with key skills. They also stressed the importance of thinking strategically.

Related to accumulated life-experience, it has been suggested that as people age their willingness to accept risk and change declines. However, all the participants exhibited high levels of confidence and there was little evidence that this had diminished with age. Many of the portfolio-entrepreneur participants, in the ‘latter’ part of their career, have opted to pursue opportunities through their family – i.e. providing financial support for their children to pursue the opportunities or acting as business angels, promoting the projects for others to pursue, providing financial backing – as they have built up sound reputations. It is acknowledged that there is some decline with regard to accepting direct financial risk but it had more to do with physical inability to pursue the opportunities personally as aggressively as they had in the past, and having to be reliant on the capabilities of others. No decline was observed in terms of the
number of ventures being pursued, whether it was directly or indirectly (i.e. providing financial and advisory support). There was still much evidence of new ideas being explored, particularly as their family (children) were becoming increasingly interested in the business portfolios.

Specifically, two of the older portfolio entrepreneurs highlighted that their role in opportunity recognition had somewhat changed. In the future they planned to pursue most opportunities as business angels and therefore the criteria used to identify and evaluate an opportunity, like their role, had changed. The process now had less to do with matching the potential opportunity to their own personal preference and experience and more to do with how the opportunity matched the skills and experiences of the people who would be actively pursuing and developing them.

On the issue of change and adaptability as it relates to age, in one instance the participant readily acknowledged that given the current state of the property market, new entrants may find it more feasible to be part of an entrepreneurial team as it would afford greater advantages in terms of pooling resources. In spite of this the participant quickly noted he personally had no inclination to adapt, but would recommend it to his children and others seeking advice.

Sourcing information

From interviews with the portfolio entrepreneurs it also became clear that as their reputations grew in the industry they were increasingly being sought out. Many people were keen to suggest ideas for potential business ventures:

…in a way, yes, but I am well known in the sense that people come to me as having been someone, as you said, a serial entrepreneur, that’s done a number of things that have been successful and a few things that were not that successful and so people cross my path deliberately and try to find me.

(PM Interview)

In terms of sourcing information both serial and portfolio entrepreneurs suggested that they relied on minimal sources, but admitted that their previous experience significantly enhanced their capabilities – evidenced by their ability to hedge against market failures and perhaps, more subtly, by their ability to quickly distinguish feasible opportunities from a variety of options. They also utilised a network of close friends or even employees, as in this example:

… I felt very much that I had the confidence to go out and do things without, to be honest, using too many other people or other sources of information. To some extent sourcing information takes time and it is time that could be spent running your business … (DNW Interview)

The internet was also cited as a very good source of information for both individual and entrepreneurial teams:

The Internet helps an awful lot; I mean that is a vast, vast source of information. (KB Interview)
Networking

All of the entrepreneurs spoke of having extensive networks; however, when asked about the role they played in opportunity-recognition, the participants were quick to stress that they came up with the ideas almost independently. However, they did acknowledge the significant role these networks played in the pre-idea stage of exposing them to additional information and other resources:

*I think they can seed ideas; you know, if you meet somebody who does something else and you like the idea of it, I suppose having ideas is about reading things talking to people; you know, seeing what other things are available so, yeah, definitely I do.* (TB Interview)

Another major use of networks with regard to opportunity recognition and development was as a means of access to financial resources, as well as attracting equity/knowledge partners.

One of the main advantages attributed to building strong reputations amongst the portfolio entrepreneurs was the ability to attract equity partners or partners with extensive knowledge relevant to the project or industry – particularly when pursuing ideas outside their own area of expertise in order to develop the idea and subsequently pursue the venture. One explained:

*I brought in a one-third partner who had a reputation of building all the top golf courses and I had a reputation of being a very successful hotel and restaurateur, so between the two of us...* (DNW Interview)

One of the key resources that most of the entrepreneurs used was their current employees, thereby building on staff networks. The networks of their management staff were used to extend the entrepreneur’s network. In one instance the portfolio entrepreneur mentioned that he hired his personal assistant mainly because of his extensive network of contacts.

Alliances and advice

The portfolio entrepreneurs did admit using partners and teams to foster temporary alliances to bolster legitimacy, and access to resources and knowledge predominantly at the opportunity-recognition and early development stage of a specific project – thereby acknowledging their potential benefits. These were a key resource used by the portfolio entrepreneurs.

*To do this sort of thing I think you need to have a great partnership, for adversity comes in equal measure to success, and it’s navigating those black periods in life, when you wonder whether anything is going to come out of it which is any good, which is character-forming.* (PM Interview)

However, the entrepreneurs were particularly sceptical about formal sources of business advice. The overall negative views towards formal networks were somewhat unexpected given the industry under review. These views spoke more of the individual’s personal disposition than of the types and quality of support they could receive through the networks, as the participants illustrated awareness of at least some of the varieties of networks available. However, they appeared somewhat indifferent towards them with regard to opportunity recognition.

Some readily acknowledged that perhaps these networks could be better utilised:

*...again I think I’ve always been sort of a one-man band. I, I should have networked more, probably. Well, I did, but I’ve always been very self-reliant. I can see people that are excellent expert networkers and they do achieve a lot because of their networking,*
and there are certain businesses where you couldn’t do otherwise than be a networker, such as in the financial industry. You’ve got to network to get the information you need in this business, Yeah, I know quite a lot of other people in the hotel industry, but....(DNW Interview)

Very few of the entrepreneurs mentioned any active use of formal networks for opportunity-identification purposes. Of the few that acknowledged the role and significance of these types of linkages, the following quote sums up their thoughts and perspective:

I’ve joined marketing organisations in the past, and training organisations – we had a group that I belonged to ... we met monthly to discuss how to go about marketing, we’d probably go to the States once a year to sell our hotels to the States and a few things like that I’ve been involved in but that’s as far as I get in networking. (DNW Interview)

Amongst all of the participants, they stressed the use of formal networks predominantly to assist wherever possible in obtaining financial support or to derive some other financial benefit. The only other uses regularly mentioned were for either marketing purposes or as sources of information – however, not pertaining to opportunity-identification directly:

I have always sort of utilised whatever was going in that respect to get investment, more easily than getting it from the bank on occasion, when sort of starting a business ... I found those very useful so I sort of keep in touch of what’s going on in the financial industry and the venture-capital trusts and things like that and the legal side as well – I try to keep in touch with what’s going on in terms of corporate legal matters by reading the magazines, institutional magazines... (DNW Interview)

Another typical response was:

Yeah, we’re involved in a few things like ... chamber of commerce and these sorts of things, which are basically marketing consortiums or networks, to sort of once a month get together and chat with some people. I find it quite good to know other people around for whatever you need which is good.

(TB Interview)

Setbacks and failure

It was considered significant to acknowledge the failures of the entrepreneurs, as many lessons can be learnt from such experiences. The learning process through failure actually enhanced the entrepreneur’s skills. The participants in the study all had at least one business failure or major setback attributable to three main factors: adverse market conditions, partner/team member issues or personal/family issues. All of the participants in the study had at least one successful venture prior to and after a business failure. This example illustrates this point:

[It] was in the late 1990s, in the beginning of the development of the internet and [I] started a business that would have only worked if internet advertising was going to be successful and of course we all thought it was going to be a great success in 1999, 1998, 1999 but it wasn’t. Nothing happened, so we sat there with a business that basically didn’t work and closed it down. But, of course some six years later, five or six years later it’s very clear that we shouldn’t have closed it down. We should have kept on going with it because we didn’t have broadband at that point, we had dial-up internet and it wasn’t until the advent of broadband, which we knew was coming, but we just didn’t know when that the whole advertising industry on the internet took off and so I am now really... I think I am not probably alone in that stumbled in that area, I think I should have looked much more carefully before I invested in 1998 and waited probably from an investment standpoint...
This information was then used to hedge against a similar occurrence in the market a number of years later and proved highly beneficial. Having experienced one or more failures, several of the portfolio entrepreneurs were very responsive to significant macro economic changes taking place before the rest of the market did.

Conclusion

This study affords valuable insights into the motives and drivers of some entrepreneurs in the industry and highlights the large number of variables to be taken into consideration to get a clear picture of ‘how’ the process is undertaken. Habitual entrepreneurs have displayed evidence of gradually refined/focussed searching techniques enhanced by surrounding themselves with key people who take on the role as facilitators.

The study goes beyond merely acknowledging that participants utilised their past experiences but sought to explain how it is used to extensively hedge against adverse changes in the market; to build strong reputations built on trust – which proved highly advantageous as the entrepreneurs were often sought out for advice and suggestions about new ideas etc.; to develop extensive networks and alliances across industries and attracted key facilitators/management staff which also assists their ability to notice and exploit opportunities.

In terms of the opportunity-recognition process for most of the participants – particularly the portfolio entrepreneurs – the study illustrates that the predominant method used was continually scanning the market, but not necessarily overtly, and constantly assessing the suitability of opportunities as they presented themselves. In all of the cases they responded very quickly and there are very short time-spans from the time the opportunity was identified to when it was acted upon and developed. As mentioned this diminished somewhat in later years as they developed support systems and built up reputations etc – this was also dependent on obvious factors such as the size of the project.

In terms of major distinctions between the types of habitual entrepreneurs, some of the main distinctions were their motives to seek new opportunities. Both types used few sources of information; it should be noted that the time-span from the point a potential opportunity was acknowledged to the time the project was started was considerably shorter for serial entrepreneurs than portfolio entrepreneurs. Also the experience, networks and reputation built up by the portfolio entrepreneurs put them in a somewhat advantageous position when it comes to idea-identification opportunities.