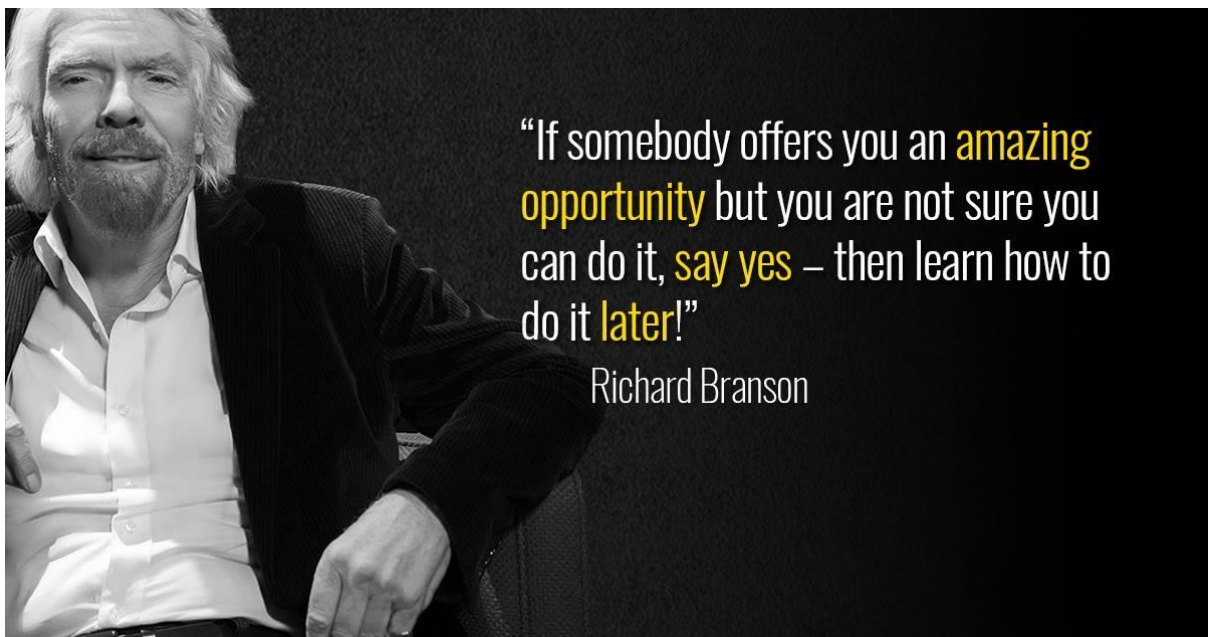


## Entrepreneurship LCMB7004

### **What Makes People Successful Entrepreneurs?**

#### **A Critical Analysis of Richard Branson**



Student name: Nicoleta Mirela Iliescu

Student Number: 1910351

Lecturer: Malani Gunaratnam

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## **Introduction**

Entrepreneurship is a multi-dimensional and complex phenomenon, which is the main driver of innovation and economic growth (Sharma, 2016). There have been many attempts to understand different dimensions of entrepreneurship and key success factors of successful entrepreneurs. There are many successful entrepreneurs in the world, who innovate to improve things and started their own businesses with minimum resources. This assignment critically evaluates a famous British successful entrepreneur, Richard Branson (RB) analyses his success using models of entrepreneurial behaviour, characteristics, and orientation.

## **What is Entrepreneurship and Who is an Entrepreneur?**

Entrepreneurship can be defined as a value-adding process by which people chase opportunities without regarding the resources that are actually and currently controlled for the intention of developing future products (Barringer & Ireland, 2016). An entrepreneur is a person who grasps an opportunity and creates an enterprise in order to pursue it. An entrepreneur collects and then incorporates all necessary resources and capabilities such as human capital, business model and financial resources and the strategy to convert the invention into a feasible business (Bygrave & Zacharakis, 2011).

## **The Famous British Entrepreneur: Richard Branson**

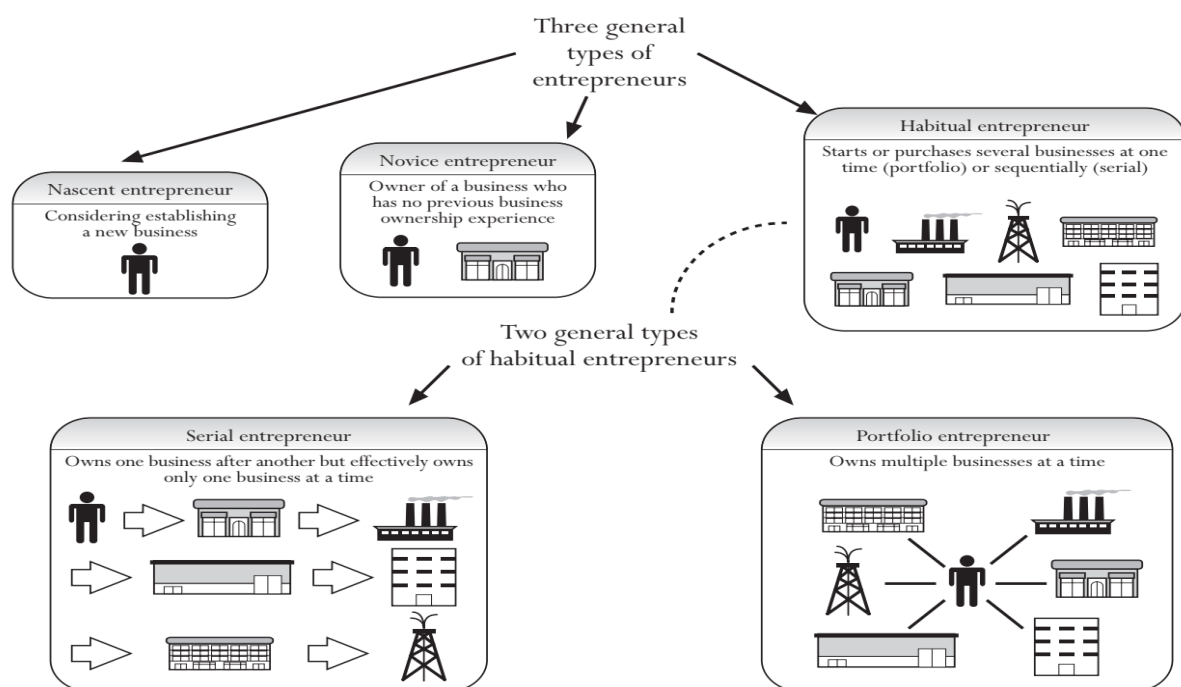
Sir Richard Charles Nicholas Branson is a famous British entrepreneur who launched Virgin Records in the early 1970s, which later transformed into the multinational Virgin Group. RB was born in Surrey in July 1960, and he struggled with dyslexia and education. He dropped out of school at 16 and started a magazine, student regarding young culture. To support his magazine affairs, he started a mail-order company, Virgin. This venture permitted him to open a store on Oxford Street and later on in 1972 a recorded studio in Oxfordshire. His first client Mike Oldfield had great success on UK charts with his song, and this led to contracts with aspiring and known musicians and Virgin Records become one of the six world top record companies. Later his entrepreneurial efforts were noticed again, in 1980 when he created the Voyager Group travel company and the Virgin Atlantic airline in 1984 and also a series of Virgin Megastores. In 2010 he founded Virgin hotels, and in 2018, the company took over the world-famous Hard Rock Hotel Las Vegas. His further business expansion included further a mobile phone company, a luxury game preserve, a train company and a space-tourism company Virgin Galactic (Appendix A). The Virgin Group currently is present in 35 countries around

the world, with around 70,000 employees. RB is also known for his visionary, adventurous spirit, and other achievements such as crossing oceans in a hot air balloon. His contribution to entrepreneurship was paid off in 1999, when he was knighted he is one of the world top self-made billionaires. He owns two private islands and one of them Necker Island, British Virgin Islands is his residence where he lives with his wife and two children, although a hurricane almost destroyed the island in 2017 (Biography, 2019; Chang, 2020).

## Types of Entrepreneurs

Scholars have used different definitions to describe various types of entrepreneurs. Figure 1 demonstrates an overview of various types of entrepreneurs: habitual, novice, serial, nascent, and portfolio. Portfolio entrepreneurs is a type of habitual entrepreneurs, and they are the individuals who are keeping their existing businesses but later they establish, purchase or inherit other businesses. Portfolio entrepreneurs are highly innovative, achievement motivated, and risk-takers (Welsch, 2005). RB is a typical portfolio entrepreneur (parallel entrepreneur) with around 500 businesses under his Virgin brand and is known for his eccentric behaviour and charisma (Hoffower & Brandt, 2020).

**Figure 1: Types of entrepreneurs**



Source: (Welsch, 2005)

## Characteristics of Successful Entrepreneurs

Successful entrepreneurship is usually combined with creative abilities, a high degree of practical intelligence and business talent. There are few critical characteristics attributed to successful entrepreneurs like the need for achievement, internal locus of control (LoC), independence, energy and motivation, willingness to take calculated risks, ambiguity, resilience (capacity to recover from difficulties or failures), flexibility, and creativity. Also, there are few other characteristics, but in this particular case, closer attention will be paid to motivation, talent and a relatively new introduced characteristic of giftedness. The need for achievement points out an individual's aspiration for significant accomplishment, obtaining challenging goals and mastering of skills. David McClelland (1961), a Harvard psychologist developed this theory, and he believes it develops during middle childhood through family socialisation prioritising high standards, less dominant fathers and self-reliance. The need for achievements should not be confused with wealth or income as these are not achievements themselves, instead of the measures of achievement. Explicitly for an underachiever in school, RB has a remarkable record of achievements in his business ventures. The need for achievement is a dominant personality feature of Branson as he is always trying to achieve improvement in performance and innovation.

Entrepreneurial giftedness is related to talented individuals who are exceptionally successful in business by continuously creating new business enterprise. RB's entrepreneurial giftedness supports many of the findings that social factors play an important role; in this case, family environment predetermined RB success. These factors are talented parents with a wide range of interests, abundant parental love and for each other, supportive parents, open and sincere relationships with parents, high ethical standards, parental treatment of children as equals. RB entrepreneurial talent was also strongly influenced by the following factors: mother—a role model of entrepreneur, rule-breaking attitude, parental love of adventure, independence in thoughts and actions, hard-working and sense of teamwork and 'change the world' attitude (Branson, 2002; Shavinina, 2006). These micro-social factors are not enough to develop the entrepreneurial ability, but macro-social factors such as societal, historical context and cultural are operating through these micro-social factors. As highlighted by Collins et al., (2014), there is a close relationship between achievement motivation for people and variables associated with their entrepreneurial behaviour.

## Entrepreneurial Behaviour

Entrepreneurial behaviour is a choice for innovation and a change in current businesses and the status quo. Generally, entrepreneurship and the associated entrepreneurial behaviour have positive impacts on the strength and stability of worldwide economies. Entrepreneurial behaviour also has a dramatic effect on society (Barringer & Ireland, 2016). A wide range of theories have been formulated to describe the behaviours of entrepreneurs and their ventures. The following models have been applied to discover the behaviour and contribution of entrepreneurs. These are cognitive approaches, economic approaches, personality/traits approaches, social-psychological approaches, psychodynamic approaches, and sociological approach. All successful entrepreneurs do not possess the most relevant are economical and cognitive models as ideal personality traits, and psychodynamic approach shows a lack of empiric support in sustaining entrepreneurial behaviour. Cognitive approach models are better at explaining entrepreneurial behaviour. They can be used to create potential entrepreneurs and is used to examine the difference between the risk-taking propensities of entrepreneurs, and non-entrepreneurs economic theories have focused on the following five themes (1) radical innovation, new combinations, new industries and economic development; (2) creativity, visionary, and imagination (new ideas, products, and businesses); (3) functions and judgements of entrepreneurs; (4) opportunity identification, evaluation and pursuit - demand, supply and arbitrage - and (5) entrepreneurial business – knowledge management, incremental innovation, and resource assemblage and leverage to exploit an opportunity. Three of the economic theories will be applied in the RB case (Westhead, et al., 2011).

Imagination and creativity approach means that the entrepreneur deals with uncertainty, makes skilled judgements, allocates and assembles limited resources, and provides new products or businesses. RB affirmed, “I like to create things. Creativity is a direct offshoot of imagination.”; hence this theory perfectly applies to his behaviour (Westhead, et al., 2011; Branson, 2014).

Radical innovation, new combinations, new industries, and economic development is German-Austrian theory associated with the work of Schumpeter, where the entrepreneurs are the creators and stimulants of dynamic change. An entrepreneur is as a special person associated with a vision or a dream, who can bring about extraordinary events and he is an innovator and brings change through the introduction of a new technological process or product. This theory is associated with the term ‘creative destruction’, which means that the new venture associated with radical innovation will create new jobs and wealth. Barringer and Ireland (2016) argue there are different encouraging and discouraging factors related to creativity and innovation of

entrepreneurs (Appendix B). RB wants to introduce this decade the hyperloop technology, where faster hyperloop pods replace a part of Virgin trains. This will cut intercity journeys in half and help clean up the planet in the process (Westhead, et al., 2011; Branson, 2018). Functions and judgements of entrepreneurs or the Chicago tradition are associated with the work of Knight (1942) who affirms entrepreneurs are responsible for their own actions and can make judgements. The scholars argue that uncertainty-bearing is the true entrepreneurial function. Knight (1942) as cited by Westhead (2011) says that entrepreneurs may be prepared to take risks in an uncertain environment, and they should be regarded as a ‘calculated risk-taker’ and the reward for bearing uncertainty is profit. RB affirmed that every time he starts a new business is taking a risk and a leap into the unknown. This is the case of Virgin Atlantic launch, which put financial pressure on the other businesses in the Virgin Group, and RB dealt with this uncertainty for a year (Branson, 2017).

## **Entrepreneurial Orientation**

In general, entrepreneurial orientation (EO) is different from entrepreneurship. Entrepreneurial orientation is a characteristic and value adopted by an entrepreneur and has three fundamental dimensions: innovativeness, risk-taking and proactiveness. Businesses and entrepreneurs involved in this type of behaviour can effectively expand or improve the performance and achieve the company competitive advantage. Innovativeness is the ability, willingness and efforts to support creativity, new ideas and opportunities which may result in new products and/or service and make improvements to existing systems. Risk-taking could be defined as a willingness to venture into an uncertain situation without knowing the possible outcomes. Proactiveness is the chase of market opportunities and competitive rivalry with the prospect of future demand to generate necessary change and shape the business environment. This dimension involves tracking and observing changes in technologies, consumer preferences, and the business environment (Pimentel, et al., 2017; Suparlinah, et al., 2018). For example, RB shows his innovation through his space exploration venture and his hyperloop technology. He shows his proactiveness through his airline Virgin, who almost failed in the beginning. He took risks into uncertain ventures through his Virgin Cola, his clothing and cosmetic companies, Virgin Digital, Virgin Brides, Virgin Cars and Virgin Digital businesses, which ultimately fail (Mimaroglu, 2017). He also sold his record company to protect people’s jobs and to raise the money needed to fight a costly legal battle with British Airways, which he ultimately won (Clifford, 2017). Also after being criticized for asking taxpayer money to save his airlines from

collapsing, these being affected by the COVID-19 crisis he put up as collateral his private island and £400m stake in his space business (Hoffower & Brandt, 2020; White, 2020).

## **Conclusion**

RB's multiple attempts to make Virgin fashionable and his continuous risk-taking in uncertain situations, reflect his willingness to fail. While he doesn't give up easily on projects, RB will continue pushing his limits. His success is simply outlined in his words and actions: proactive behaviour, positive outlook, he wears a smile at all times, he looks for opportunities to see the good in the world, follows his dreams. RB leads with yes rather than no, and he approaches problems in a proactive manner; everyone benefits from competition, focus on the customer. Also his success is self-explanatory through his quality traits such as being risk-taker, promoter, achievement motivated, opportunity alertness, self-starter, creative, energetic, ambiguity tolerant, visionary, resource assembler, and self-confident.

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## Appendices

### Appendix A: Virgin Orbit

Virgin Orbit, one of the latest additions, is a demonstration of a new rocket system for sending small cargos to orbit, and was due to its first launches for 23 and 24 May 2020, but was delayed for a few days (Chang, 2020).

The LauncherOne rocket and the Cosmic Girl jet, on the ground at Long Beach Airport in California in 2018



Source: (Chang, 2020)

## Appendix B: Factors Encouraging and Discouraging Creativity and Innovation

|                                     |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Organizational Level</b>         | <i>Inhibitors of Creativity</i>   | <ul style="list-style-type: none"><li>■ Failing to hire creative people</li><li>■ Maintaining an organizational culture that stifles people</li><li>■ Retaining people in the same job for years, preventing them from broad and deep experiences</li><li>■ Promoting a mentality suggesting that the best solutions to all problems are known</li></ul>                                                                   |
|                                     | <i>Facilitators of Creativity</i> | <ul style="list-style-type: none"><li>■ Supporting and highlighting creativity's importance in all parts of the firm</li><li>■ Overly rewarding those demonstrating creativity in their work</li><li>■ Investing in resources for the purpose of helping employees become more creative</li><li>■ Hiring people with different skills and viewpoints compared to current employees</li></ul>                               |
| <b>Individual Supervisory Level</b> | <i>Inhibitors of Creativity</i>   | <ul style="list-style-type: none"><li>■ Being pessimistic, judgmental, and critical</li><li>■ Punishing people for failed ideas</li><li>■ Insisting on precision and certainty early in the creative process</li><li>■ Being inattentive, acting distant, and remaining silent when employees want to discuss new ideas</li></ul>                                                                                          |
|                                     | <i>Facilitators of Creativity</i> | <ul style="list-style-type: none"><li>■ Listening attentively for the purpose of openly acknowledging and supporting ideas early in their development</li><li>■ Treating employees as equals for the purpose of demonstrating that status isn't important</li><li>■ Speculating, being open, and building on others' ideas</li><li>■ Protecting people who make honest mistakes and commit to learning from them</li></ul> |

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Source: (Barringer & Ireland, 2016)