

Elon Musk the Entrepreneur, and How His Life Relates to Relevant Entrepreneurial Theory



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1. EXECUTIVE SUMMARY

This report initially gives a brief outline of who Elon Musk is and what he does, Elon Musk is a Versatile Entrepreneur; He is the founder and CEO of both Tesla, and SpaceX as well as being the founder of PayPal which he has since sold. Next it was essential to look at both a narrow definition of an entrepreneurs, defined: as an individual that attempts to create an enterprise or a business. Then a broader definition of an entrepreneur was looked at, this definition talks about an individual that possesses unique, creative skills that allows them to change a type of work, or product within an industry.

Knights (1957) theory of uncertainty was looked at, this theory states that it is essential for a successful entrepreneur to take risks, that not all risks are insurable. Schumpeter's Theory of Innovation (1959) was also used with reference to Musk, this theory was compared to the innovative ideas and products that he has produced through both Tesla and SpaceX. More modern theories were then looked at, these theories have a strong link to the psychological factors impacting upon an entrepreneur, that an entrepreneur's attributes come from underlying psychological factors such as Elon Musk's need to influence others.

Entrepreneurial motives are a major factor to whether or not an entrepreneur is successful, entrepreneurs that are 'pulled' to entrepreneurialism are far more likely to succeed than those that are 'pushed' into it due to circumstances such as redundancy. It was not a necessity for Elon Musk to become an entrepreneur, he was motivated to do so, this was likely a major contributor to his success.

2. AN INTRODUCTION TO ENTREPRENEURSHIP AND ELON MUSK

Elon Musk is the founder and CEO of the technological company Tesla, Tesla is best known for their innovative electric car production however, the company also produces battery products, and solar panels (Tesla, 2019). As well as Tesla, Elon Musk is the CEO and founder of SpaceX, a company that develop and manufacture rockets and spacecrafts, his ambition for the company is to create a self-sustaining city on mars that would allow humans to be a multi planet species (SpaceX, 2019a). Elon Musk was previously the founder and CEO of PayPal but has since sold the company. ORBCOMM Inc (2011) refer to Musk as a philanthropist, visionary, and a serial entrepreneur, stating that he is the principal shareholder of the SolarCity as well as their non-executive chairman.

Entrepreneurism is a difficult concept to define, as both very broad and very narrow definitions exist, an example of a narrow definition is Global Entrepreneurship Monitor (GEM, 2019) definition of entrepreneurship as: 'any attempt to create a new business enterprise or to expand an existing business by an individual, a team of individuals or an established business'. However, GEM (2019) continue that an individual's ambitions, motivations, and characteristics all play a roll in the success of an individual as an entrepreneur. While the Northern Ireland Government (2003) use a broader definition, 'the ability of an individual, possessing a range of essential skills and attributes, to make a unique, innovative and creative contribution in the world of work, whether in employment or self-employment.' The Northern Ireland Government (2003) continue to state some of the key characteristics of an entrepreneur to include but not be limited to: Self-belief, creativity, discipline, keen desire to improve, as well as being innovative. Continuing that an entrepreneur will also possess some of the following skills: Problem solving, Communication, be able to work both individually and in a team, flexibility, and effective risk reward decision making.

Williams (2009) talks about the flexibility being an entrepreneur entails, starting up your own business eliminates the selection process, you would no longer have to prove your ability or value to anyone. Williams (2009) continues that the biggest factor to a successful entrepreneur is themselves, that their attributes, determination, and understanding their own limitations will have the biggest impact upon their success.

3. ENTREPRENEURIAL THEORY, JUSTIFYING THAT ELON MUSK IS AN ENTREPRENEUR

This section will look at Some key Entrepreneurial theories and how they link to Elon Musk, linking these theories to examples within his life. Knights theory of uncertainty (1957) will be looked at first, followed by Schumpeter's Theory of Innovation (1959). After these two traditional theories have been looked at and related to Elon Musk, more modern theories will be looked at including the phycological factors effecting entrepreneurs.

Knights theory of uncertainty (1957)

Rakow (2010) talks about knights' theory in depth, how a successful entrepreneur behaves in anticipation of the future, he also highlights that entrepreneurs must take risks; however, these risks are calculated. Continuing that some risks are insurable and other risks are non-insurable, Risks that would be insurable include events such as fire, theft, or damage. However, non-insurable risks would be, drop in product demand, change in social trends, changes in political situation, and loss of supply of raw materials. Knights theory (1957) highlights the importance of looking towards and anticipating the future as one of the key attributes to an entrepreneur, an entrepreneur is not afraid to take risks even when the future is uncertain. This theory is directly relatable to Elon Musk's company. SpaceX (2019b) state that one of their main ambitions is to work towards a sustainable city on mars, Musk (2012) states himself that for the first time in four billion years the window has opened for humans to travel to mars, stating that he hopes the window is open for a long time but it may not be. Continuing that there could be a drop in technological advancements or the elimination of humanity, however if travel between mars and earth becomes readily and regularly available then the investment rewards would be tremendous. This demonstrates that he is calculated but not afraid to take non-insurable risks, whilst he is still anticipating the future.

Schumpeter's Theory of Innovation (1959)

Schumpeter (1959) states that an entrepreneur is an innovator, that he can be innovating in the following ways: Introduction of a new product, the dramatic development of an existing product or technology, the creation of a new organisation, or the introduction of a product into a new market. Schumpeter's (1959) theory also expresses a difference between an inventor and an innovator, an inventor creates new products and ideas; whereas an innovator introduces those ideas into new markets and manipulates the pre-existing technology to become new and exciting. Finnerty (2015) refers to Elon Musk as an industry leader, that tesla is an innovative brand that has made traditional forecourts a thing of the past. Continuing that tesla were the first to put stylish showrooms inside shopping centres, also stating that other well established companys such as Hyundai have followed suit. NewsRX (2015) refer to Elon musk as a game changer in the world of renewable energy, with tesla releasing their home battery which can be paired with smaller scale solar systems to allow the customer to store their own renewable energy. Another great example of Elon Musk's innovative attribute is that of PayPal, Musk was the founder of PayPal before he later sold the company. Newswire (2002) highlight that PayPal's unique secure, cost-effective nature made it one of the biggest innovators within their industry, continuing that they were Named Finalist for SIIA Codie Awards.

Modern Theory's and Phycological Factors

Barringer and Ireland (2012) touch on the point that modern entrepreneurship is often explained to have two bases, one being professional based these are: industrial engineering, medical and agriculturally based entrepreneurs the second base is behaviour based, these are the innovative type of entrepreneurs. In reference to behaviourally based entrepreneurs it is recognised that there could be as many categories of this type of entrepreneur as there are attributes to an entrepreneur. These attributes were discussed earlier, such as self-belief, creativity, and innovation. However, Williams (2009) implies that most authors can agree that there is a significant importance in looking at entrepreneurship from a psychological angle, highlighting different psychological factors that impact upon an individual's ability to be a successful entrepreneur. These Psychological factors include but are not limited to: Need to Influence Others, Need to achieve, Self-efficiency, Risk taking, High need for power, as well as Self-introspection. Relating these factors to Elon Musk, starting with the need to influence others, Elon Musk has influenced how companies now sell cars, out of a shiny showroom in big shopping centres, an influencer, changes the way other organisations think and operate (Finnerty, 2019). It is arguable however that one of Elon Musk's most obvious Entrepreneurial psychological factor is his risk taking, Gordan (2018) states that Musk's risk taking is undeniable the reason that Tesla now hold a bigger market share than Ford, producing five thousand cars a month, however Musk has taken extraordinary measures to get the company to where it is. Gordan (2018) continues that although these risks have paid off for Tesla, Musk's behaviour could have been catastrophic for the company, that Musk is a 'Star' CEO however CEOs like Musk expose their companies to serious risk. Elkind and Jones (2014) state that Elon Musk is attempting to achieve the impossible, arguing that he is the type of entrepreneur that you would want to invest in based on his desire to achieve. This has been demonstrated throughout his successful career, his ambitions extend past the boundaries of making an income. Continuing that Elon Musk's desire to achieve the impossible, he wants to change fundamental parts of society, in both the motor vehicle industry as well as within aerospace industry. Looking into more effective and eco-friendly electric methods of transport. The Northern Ireland Government (2003) continue the point that the desire to achieve is a crucial psychological factor to a successful entrepreneur, stating that self-belief and, self-motivation are attributes that contribute to an entrepreneur's desire to achieve.

4. ENTREPRENEURIAL MOTIVATIONS

Jones and Zeitlin (2008) state that entrepreneurial motivations, are what motivate an individual to become an entrepreneur, some of the motives to become an entrepreneur are more obvious than others. The more common also known as 'pull' motives include: desire to exploit an opportunity, lifestyle, the financial incentive, be your own boss, flexible hours, and work as a hobby. However, some of the less obvious motivations to become an entrepreneur include: Redundancy, job insecurity or unemployment, misfit, part time or temporary employment, as well as early retirement these are predominantly 'push' motives. The 'pull' motives are opportunities an individual can seek, whereas the 'push' motives are often a necessity.

Lowe and Marriott (2006) break entrepreneurs down into five categories, these categories are defined by the individual's motives to become an entrepreneur, these categories are: the necessity, the conventual, the creative the opportunist, and the serial. The order in which the five categories above are listed is important; At the beginning of the list is the Necessity, this type of entrepreneur is likely to lack essential entrepreneur characteristics such as innovation, and self-belief, this type of entrepreneur would usually prefer to be employed but has been forced into self-employment due to circumstances out of their own control. Lowe and Marriott (2006) have placed the serial entrepreneur as the last category these entrepreneurs are likely to possess the most useful attributes to a successful entrepreneur, while seeking rapid growth, developing new products, and constantly challenging assumption. The three categories that fall in the middle, have mostly pull motivations, the individuals in these categories choose to be an entrepreneur for lifestyle, financial, flexible hours, or to peruse a hobby professionally.

Using Lowe and Marriot's (2006) theory it is evident that Elon Musk would fall into the category of a serial entrepreneur, Gordan (2018) and Newswire (2002) both talk about his range off successes in a variety of fields, from PayPal which arguably changed the way that customers complete purchases quickly and securely, to some of his more recent ventures in space travel and electric transport. It is clear that he pursues rapid growth with everything he does. Musk (2012) admits that he challenges the assumption that humans will not make it to mars in his lifetime, he makes it clear that he is not certain that they will make it however, he still plans to try. He is constantly developing new renewable power technologies within his company Tesla. Yoffie et al., (2016) highlight that Elon Musk has a tendency to take big risks but the results often change the industry, an example of this was the larger scale project for the commercial and residential use for energy storage. It is evident that Elon Musk's Entrepreneurial motivations are not a necessity they are not financial, or linked to a need for employability; His motives are to influence, and innovate, it is arguable that to some extent because Musk has already reached an exceptional level of success, that allows him take ventures that suit his hobby's and lifestyle, this is evident with SpaceX and Musk's desire to personally visit and inhabit mars.

5. CONCLUSION

To conclude, despite the existence and recognition of a variety of broad and narrow definitions, it is clear that most entrepreneurs have similar attributes that lead them to pursue a similar path, in a variety of industries, from agriculture to technology. An entrepreneur has to be motivated, self-disciplined, and innovative within their field, Elon Musk does not only demonstrate these characteristics within the motor vehicle industry but also within a variety of other industries, this is a major contributor in considering him a 'serial' entrepreneur. It was evident that Elon Musk's attitude was a contributor to the groundbreakingly success of Tesla with both their Solar battery and their hold over the market, controlling a bigger market share than Ford. As well as SpaceX ambitions being a clear indicator that Musk intends to continue to challenge public assumptions and attitude as they continue their work towards a sustainable city on Mars.

It was evident that while Elon Musk fitted Both Knights (1957), Schumpeter (1959) theory's it was due to different projects and attributes, this implies that Musk is a considerably versatile Entrepreneur. Musk's entrepreneurial motives seemed to lie towards the want to be an innovator and his own personal success. However due to the limitations of this report it is not felt that all of his Entrepreneurial motives could be looked at in depth, this would be recommended for future research.

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5. REFERENCES

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