

## Enterprise and Entrepreneurship – Have you got what it takes?

Q1. Define enterprise and entrepreneur.

Enterprise:

Entrepreneur:

Q2. What characteristics does an entrepreneur need to have?

Q3. What is the difference between an entrepreneur and a dreamer?

Q4. What is a serial entrepreneur?

Q5. According to Duncan Bannatyne, why should you not be motivated by money alone?

# Enterprise and entrepreneurship

## Have you got what it takes?



*Do successful entrepreneurs have certain skills and qualities in common? Mark Mitchell compares Duncan Bannatyne and Alan Sugar and analyses what it takes to come out on top*

**B**usiness leaders can learn many skills, including creative thinking via management training courses. There is, however, a certain X-factor about entrepreneurs such as Duncan Bannatyne and Alan Sugar. For many onlookers, they are inspirational characters, possessing a variety of enterprise skills. Read through their profiles in Boxes 1 and 2 and you will see how they have both come up with new ideas, taken risks and moved into new business ventures with confidence and self-belief. This article analyses the traits they have in common.

### Overview

Duncan Bannatyne believes that anyone can build up a valuable business with self-belief, determination and drive. We can see from his own story that he has the ability to spot opportunities and take risks in order to follow his ideas but, importantly, his ideas are backed up by hard work.

Opportunities are plentiful for any businessperson, but it is often those who take the risk and put in the most effort who find the most success. As Bannatyne himself puts it: 'There's a fine line between being an entrepreneur and being a dreamer.'

Despite starting in business at a much younger age than Bannatyne, we can see that Alan Sugar has similar traits. Self-motivated and driven by new ideas, he has managed to move successfully from one business project to another. Well-known businessman Sir John Harvey Jones said that 'if you are not constantly progressing in business you are regressing' — in other words, you should never stand still but change when an opportunity presents itself, otherwise you will be left behind. Sir Alan's field has been electronic gadgets and computing — one of the most innovative and fast-changing markets. It's no wonder then that in recent years on television he has been looking for an apprentice who can help take the company back to its

heyday when Amstrad computers were so successful.

### Risk taking

Both Sugar and Bannatyne have a willingness to take risks and move quickly into new products in fast-changing markets. Both are confident in their abilities and appeared to have the strength of self-belief from the moment they first set out in business. The difference between an entrepreneur and a dreamer is that an entrepreneur is willing to risk their livelihood in order to make the business 'happen'. Most of us have business ideas at some stage in life but do nothing about it.

While many entrepreneurs set up one business, Bannatyne and Sugar are serial entrepreneurs, moving from one idea to another. We can think of other entrepreneurs who fit this description, such as Richard Branson (Virgin) and



## Box 1 Duncan Bannatyne

Most *Dragons' Den* fans will recognise Duncan Bannatyne as the tough-talking Glaswegian entrepreneur who founded Bannatyne Leisure (see [www.bannatynes.co.uk](http://www.bannatynes.co.uk)). Bannatyne, one of seven children, grew up in a council house on Clydebank, Glasgow, sharing a bedroom with three of his brothers. He left school at 15 with no qualifications and spent 4 years in the navy, serving on the *Ark Royal*, but was court-martialled and came home with a dishonourable discharge. Drifting from job to job, it was not until he was 30 that he decided to start a business, buying an ice cream van for \$450.

Reinvesting his profits, Bannatyne built up a fleet of six vans within 2 years and was making around £70,000 per year. He sold that business and moved into property where he felt the rewards could be higher. He began by buying terraced houses and providing rooms for the unemployed in return for funding from the government. Then a newspaper article highlighted a shortage of nursing homes and that the government was prepared to subsidise patients to the tune of £260 per person per week. Bannatyne saw his opportunity, took the risk of selling everything he owned and built his own nursing home in 1986. Demand was high and the home was soon valued at \$650,000, allowing him to remortgage and pay off other debts.

Bannatyne immediately started building an 18-bedroom extension and bought land to build a second home. Shortly after, and following \$6 million's worth of borrowing,

he had built a chain of 30 homes. Bannatyne floated the company, Quality Care Homes, on the stock market, paid off all debts and acquired a £1 million profit for himself. At this time, he had a 73% stake in the public limited company, but he sold this, acquiring \$26 million in the process. His reasons for selling were partly to do with the frustrations of having to keep city analysts happy instead of running the business how he wanted. He also wanted to focus on developing his new Just Learning nursery school brand further.

The Just Learning brand began when he spotted a gap in the local market as he had to drive 10 miles to take his own daughter to a nursery school. He also opened a gym after he broke his leg skiing and realised that his nearest gym was also many miles away from home. In 2001, the nursery school chain was sold for £22 million, but not surprisingly, Bannatyne, a serial entrepreneur, has kept busy. He has a personal fortune over \$200 million and he now owns:

- a bar called Bar Bannatyne in Newcastle
- over 60 Bannatyne Health Clubs, some of which include hair and beauty spas
- a construction company called Bannatyne Housing
- Hotel Bannatyne in Darlington and Hotel Bannatyne in Durham

## Box 2 Alan Sugar

Alan Sugar, star of BBC's *The Apprentice*, has a personal fortune of around £800 million. Yet he started out on a Hackney council estate, the fourth child of a poor family and, like Duncan Bannatyne, had to work his way up to the top with hard work and good ideas. His first enterprise, aged 11, was photographing other pupils at his school and selling the pictures to their grandparents. While still a student, he also made and sold ginger beer, cleaned cars and sold repackaged camera film. By the time he left school, he was earning more than his father.

Sugar's first proper company sold car aerials to vehicle accessory shops. By the age of 21, he had founded Amstrad (standing for Alan Michael Sugar Trading). At 33, he had floated his company on the London stock market and, at its peak, Amstrad was valued at \$1.2 billion. It was essentially an electronic goods manufacturer — Sugar was great at spotting a successful product, such as a video recorders, hi-fis or computers, copying it and selling it cheaper than the market leader (a 'me too' approach). His market was the 'truck driver and his wife'; in other words, he provided mass-market products at a fair price.

However, competition from firms using Chinese labour and components means that profit margins for this type of product are too low nowadays. So by 2007, Sugar mainly made interactive set-top boxes for BSkyB

and used his Viglen company to sell computers to schools and universities.

His career has not been without problems and failures. In 1988, Amstrad's PC2000 developed hard-drive problems, damaging the firm's reputation. Delays in delivering high-definition satellite boxes sent Amstrad's profits plummeting. In 2000, Sugar launched a device called an 'e-mailer' for sending e-mails from a home phone. The device was designed for people who could not afford or could not be bothered with a home computer. Unfortunately, the e-mailer totally misread how people's lives were changing — now e-mails can be sent from Blackberries or mobile phones and many young people don't even have a landline. Amstrad pulled out of this market last year. But when asked about his failures, Sugar fires back with the flair and optimism that has been a part of his life for so long: 'Apple have been in the pits, nearly bankrupt and then suddenly the iPod pulls them out of trouble again.'

In August 2007, Alan Sugar sold Amstrad to BSkyB in a \$125 million deal that earned him \$34.5 million personally.

Stelios Haji-Ioannou (Easy Group). Once their enterprising spirit has been demonstrated in one market, it is transferred to another business concept.

### Combining hunch and scientific decision making

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Bannatyne can be seen on the television programme *Dragon's Den* asking contestants for sales projections, profit margins, market growth and research. It would be foolish to think that such high-profile entrepreneurs make decisions without scientific data. Yet there is also a time and place for hunch decisions. When Bannatyne read an article on nursing homes (see Box 1), he realised he had to act quickly and made a decision without detailed research. However, before he expanded further, he visited plenty of care homes pretending he was looking for a place to take his father. So, while this was a hunch, it was supported by some basic research.

Similarly, Sugar has great confidence in his own ability to understand what customers want, but that does not mean he would ignore research findings.

### Background influence

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Both men were from poor working-class backgrounds in common with some of the

football geniuses this country has seen in recent times (Gascoigne, Rooney, Fowler, Gerrard). Does this type of background make people more hard working and determined to succeed? Bannatyne tells a story about a local newsagent who wouldn't give him a paper round when he wanted to save up for a bike to be like his friends. His parents couldn't afford one, so, rather than leaving the newsagents with no paper round, Bannatyne asked how many new requests for paper deliveries would be needed for a new paper round to be set up. When told 100, he went and knocked on 100 doors and provided a list of names to the newsagent. Needless to say he got the paper round and eventually saved up for his bike. Your background may therefore have an influence on whether you succeed as an entrepreneur, but it is only one of many contributory factors.

### Glossary

**Enterprise** — the skills of innovation, risk taking, determination, motivation and leadership possessed by an entrepreneur

**Entrepreneur** — a person in business willing to innovate and take risks in order to try and achieve maximum rewards for his or her business

### Motivation

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Both men started their businesses to make money, yet Bannatyne argues that you must be motivated by the challenges presented by the business and not by money alone. If you are 100% fascinated by and interested in your business, you are much more likely to succeed — this links strongly to Herzberg's theory that money is important, but the job itself and the responsibilities it offers is a much more significant factor in motivation.

### Summary

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Despite Bannatyne not starting until he was over 30, he showed the same self-motivation and drive that Sugar did since the age of 11. Business success isn't always about being the first to enter a market with a new product (the 'me first' approach) — both of these entrepreneurs used existing products that could be developed to take advantage of market opportunities. The two individuals were like fireworks waiting to go off — once they decided to start in business there was an explosion of effort, creativity, risk and, of course, reward.

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