

# It's not all about the money



**Gemma Thompson** looks at the motivations and challenges for entrepreneurs

**F**or Chris Sargeant, it was a light bulb moment in his kitchen: the idea to open a burger restaurant where everything was handmade and the ingredients fresh and top quality. He opened his first Handmade Burger Company restaurant in Birmingham 5 years ago and now operates more than a dozen across the UK. Chris became an entrepreneur: someone prepared to take risks, like selling his home and leaving his job, to follow a new business idea.

Early definitions of the term entrepreneur describe the role as being one of the four factors of production: the entrepreneur organises land, labour and capital to establish the business (the French verb 'entreprendre' means 'to start on'). Though they are central to business activity in creating and expanding firms, entrepreneurs must not be confused with managers. Managers organise but may not risk their own capital for the reward of profit. The modern separation of ownership and control means that the line

between managers and entrepreneurs can be blurred.

Modern definitions of entrepreneur now emphasise the risk-taking element alongside the innovative role in identifying new products, processes and markets. Innovation and new ideas are central to entrepreneurship. A more up-to-date definition would be:

Someone who takes risks in developing a new business idea, product or service, or is able to exploit a gap in the market.

## **It doesn't just cost money**

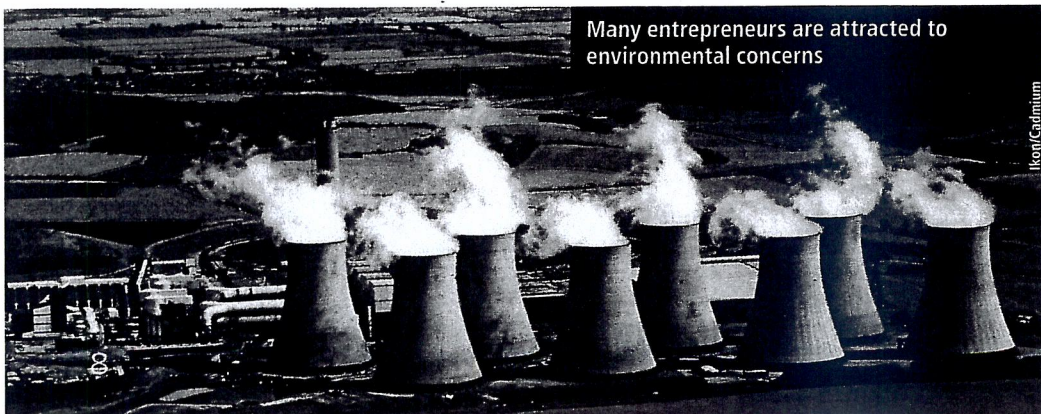
Entrepreneurs risk both their money and time, for which there is an element of opportunity cost. Developing a business takes vast amounts of time, which could have been spent doing something else (e.g. advancing your career as an employee or in leisure time with your family). The monetary cost is not just the amount invested but the loss of potential earnings as an employee, pension payments or

the interest that could have been paid on savings. Money spent on capital, stock or loans could have been used for hobbies, holidays or home improvements. The choice to become an entrepreneur involves the decision to give up many other things.

*Dragons' Den* investor and entrepreneur Hilary Devey sold her house to set up her distribution business, Pall-Ex, when she was refused a bank loan. It is not uncommon for people setting up businesses to take risks against their own personal wealth and sense of security. However, the chances of success are uncertain. The business may not be lucrative, as we cannot predict all future outcomes in a changing economic environment. However, the monetary reward of success — profit — is seductive and there is a range of other attractive factors too.

## **Money is not the only inspiration**

Employment issues are important for many new entrepreneurs. For instance, they may aspire to independence and want to work for themselves. Being your own boss means you don't have to answer to someone else, you can choose when you work and possibly work from home. Entrepreneurs may also crave a challenge that they don't get in their current job or may not feel appreciated or that they are in line for future promotion. People may be interested in turning a hobby into full-time employment.



Many entrepreneurs are attracted to environmental concerns



Other reasons to become an entrepreneur may reveal more social objectives such as saving lives, providing jobs or tackling environmental concerns. The social and environmental influence on enterprise is a growing area of study. Blundel and Lockett suggest that definitions of entrepreneurship should include the role of the social entrepreneur. This is someone who is creating both economic and social value (i.e. improving the welfare of other people). They also propose that entrepreneurs include people who establish not-for-profit enterprises such as charities.

### What motivates entrepreneurs?

#### Feline Happy

For Debbie Heneghan, employment issues were central. Fulfilling her employment desires and turning her hobby into a job were her key motivating factors.

Heneghan had worked in administration in central London before starting a family. As her children grew older, she wanted to return to work but the idea of working in an office filled her with horror:

“I also wasn’t sure I could work for anyone, as I am not good at being told what to do.”

Three years ago Heneghan realised that there was a gap in her local area for a no-registration-fee cat-sitting service. Her idea was to provide a service where she would visit cats at home but where she would only be paid per visit, with no joining or membership fee. She did some research and found that setting up her own service was neither complicated nor costly:

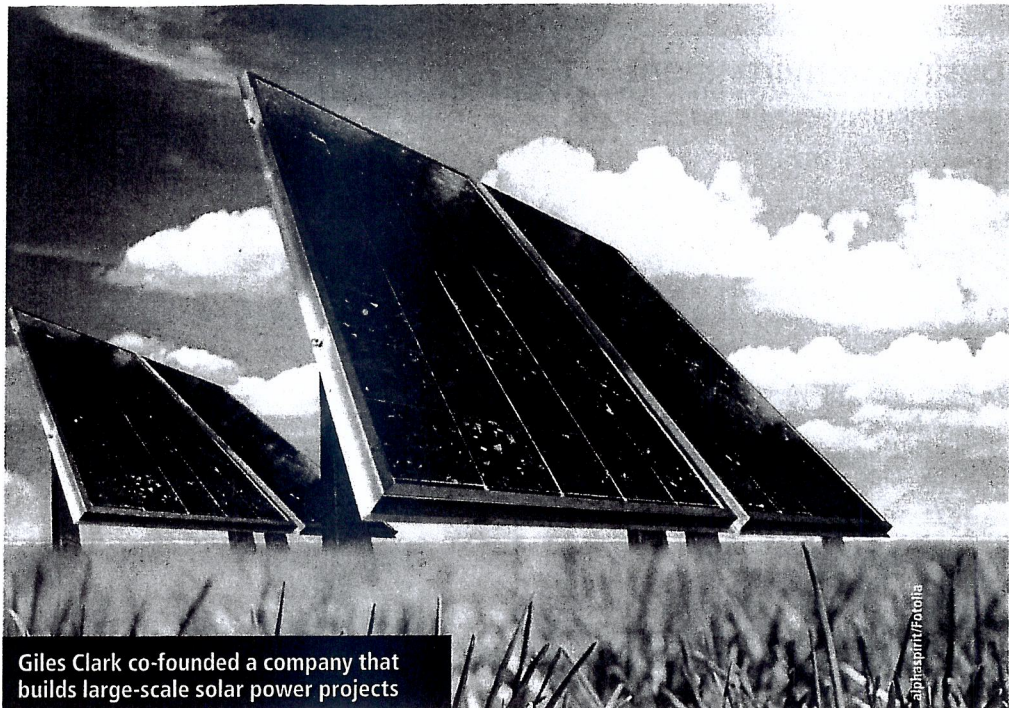
“I just needed specialist cat-sitting insurance and a reference with an optional CRB check, which I got.”

Heneghan set up a website ([www.felinehappy.co.uk](http://www.felinehappy.co.uk)) and distributed leaflets to local vets:

“The upsides are being my own boss, spending time with all the lovely cats — I fall in love with them all — and of course the money.”

She can fit her visits around her children, though during school holidays and Christmas she works 7 days a week:

“I now have quite a few regular customers and get new customers all the time...the business is growing. I really enjoy it.”



Giles Clark co-founded a company that builds large-scale solar power projects

#### Sun Ray Renewable Energy

Giles Clark spent many years working for a large accountancy firm and had reached a senior management position, however:

“Getting to partner was going to require that I conform, slavishly, to a particular set of expectations. I didn’t want to be a partner badly enough to want to become that sort of person.”

So Clark made a career change to private equity, then in 2006 he co-founded Sun Ray Renewable Energy, a firm that builds large-scale solar power projects across southern Europe:

“What I invested was time and effort, rather than cash. I put in a lot of work that was either unpaid or underpaid to get the business off the ground.”

The environmental aspect of Sun Ray attracted him to the project:

“I loved the idea of solar. Great concept, fun thing to do...we were not driven expressly by environmental considerations, but it was a plus.”

So for entrepreneurs, money is not the only factor invested in an enterprise, nor is it the only benefit. However, as Giles himself admits:

“Money is not the only motivator, but it’s certainly part of what gets people out of bed in the morning. Entrepreneurs dream of money in the way that people dreamed of gold in nineteenth-century America. If at first you don’t succeed, try again until you do.”

### Famous entrepreneurs exercise

What are these 12 entrepreneurs famous for?

- Duncan Bannatyne
- Richard Branson
- James Caan
- Hilary Devey
- Bill Gates
- Peter Jones
- Deborah Meaden
- Ingvar Kamrad
- Theo Paphitis
- Anita Roddick
- Mark Zuckerberg
- Steve Jobs

Use the internet to research their companies and decide which area of business they have made their fortune in:

- 1 Computers/information technology/communications
- 2 Retail
- 3 Distribution
- 4 Leisure/tourism/travel
- 5 Recruitment/training

BusinessReviewOnline



See BusinessReviewOnline for the answers.

### Further reading



Blundel, R. and Lockett, N. (2011) *Exploring Entrepreneurship: Practices and Perspectives*, OUP.

Gemma Thompson is an examiner for a major exam board.