

ASKING THE RIGHT QUESTION,
“DO ENTREPRENEURS RISK IT ALL?”

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Confidence is the most important asset an entrepreneur must possess but confidence should always be in moderation for them to achieve their goal.

Starting a new business venture is a risky task. Usually, one-third of small and medium new businesses fail within two years. If there's so much risk involved why do the entrepreneurs still do it?

The question is what is in their mind, and what is their thought process? What is the psychology behind successful entrepreneurs and what sets them apart from everyone else?

As per decades of research, the answer to this question can be given in three parts.

Successful entrepreneurs are different from the rest of the people because they tend to be reasonably self-confident, self-motivated, and ready to take risks along with being extremely passionate about their ideas.

According to Travis Howell, Ph.D., an assistant professor of strategy at the University of California, Irvine's business school, "many entrepreneurs are fully aware of the risks associated with starting a business, but they believe their idea is significant enough that it is worth trying anyhow. "They won't be content doing anything else, even if there is only a slight chance of success."

Even though the entrepreneurs are all aware of the possible risk factors that exist in the business they still strive to create their start-up, this is because they believe in their ideas that its worth trying and they believe in themselves that they can achieve success.

Why do people start a new or independent business or endeavor?

Any perception of entrepreneurs being greedy for money, always shooting for the stars, and willing to risk everything for their new venture is simply false, as per various research conducted by researchers who study the business start-ups, their motives, and what drives them.

The Burgess Institute for Entrepreneurship & Innovation at Michigan State University entrepreneur and educator Neil Kane, MBA, stated that "the entrepreneurs will strive to achieve success, by hook but not by crook, or help a certain market segment." She believes that what differentiates an entrepreneur's mindset from a common person's is the willingness to bet on yourself and take a calculated risk. And the most successful businesspeople excel at managing risk rather than taking on more.

In fact, as per the research, an average entrepreneur takes less risk than the general investors, said Olav Sorenson, Ph.D., director of research at UCLA'S Anderson School of Management.

But there's one trick to this. Perceived risks will not always be the same as actual risks.

When the entrepreneurs were asked about their choice between a risky venture and a sure success they are more likely to choose the successful venture. "People may start businesses not because they see the risks and accept them but rather because they do not fully appreciate the risks. If you're not aware of the risks, you probably will not manage them well."

The characteristic that differentiates entrepreneurs from others is that Instead of taking huge risks, they bet on themselves.

Do entrepreneurs risk it all?

People may have different perceptions about why they think that entrepreneurs seem like the people who risk it all for their start-ups but one perception that remains constant and is a truth is that their self-motivation is mundane.

Most people do not quit their well-paying job to start their venture. Instead, they start their venture because they are either unemployed or they don't like their job so starting their enterprise seems like a better option or they either believe in their idea.

Most entrepreneurs do not love risk but what motivates them is avoiding loss and prestige. On the other hand, women entrepreneurs don't give much importance to profits rather they give more importance to the social impact created by their enterprise.

But in the end whatever motivates them, the budding entrepreneurs don't take uncalculated risks all at once instead they treat their start-up as a passion and keep on working on it day and night. Money was never the primary objective nor the sole motivator to start.

Confidence in entrepreneurs

If there's anything that sets entrepreneurs apart from others is the confidence they possess in themselves. There will be a time in their life when nobody will trust them at that time they must keep themselves confident. Confidence when in limit can be a boon where's too much usually backfires.

As per the studies conducted earlier by various researchers, "overconfident entrepreneurs tend to be more risk-tolerant and less profitable and manage a business that doesn't have much potential. However, confidence in moderation is very necessary for entrepreneurs.

The real show-stopper, in Kane's opinion, is a feeling of impostorism, a lack of confidence that frequently arises when people advance to significant levels of responsibility or take on new roles they don't think they deserve and they no longer feel as qualified as others perceive them to be. While fear of failure (or success) can stifle entrepreneurial dreams, Kane believes that the real showstopper is a feeling of inadequacy. More than eight in ten owners of small businesses experience imposter syndrome. The wise know how to lighten their own burdens to some extent.