

# A Review of the Traits of Successful Entrepreneurs and the Benefits of Owning a Small-Micro-Medium Enterprise (SMME)

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## Abstract

This is a desktop study with the main objective to review the characteristics of successful entrepreneurs and the benefits of owning a business in this 21<sup>st</sup> century. The world of entrepreneurship is now here and growing every day. This study will review literature related to the current statistics of entrepreneurs starting their own small-medium enterprises, definition of entrepreneurship, outline the traits of entrepreneurs, benefits of owning an SMME and the advantages of SMMEs to an economy. One of the reasons why there has been a rise of the entrepreneurship field is the shift of the global economy from being a manufacturing oriented economy to being a knowledge-based and service or marketing oriented economy. This has led to the creation of many lucrative business opportunities for new aspiring entrepreneurs to enter the entrepreneurship field, be able to satisfy customer needs and wants with their products and services.

**Keywords:** Small Medium Micro Enterprise, Entrepreneurship, Traits and Benefits.

## 1. Introduction

People from different nationalities, ages, gender, religion and cultures are launching their own new businesses to achieve their various dreams and aspirations across the world (Scarborough and Zimmerer, 2006:2). Recent research findings found that South African startup firms attract the largest capital investment in Africa. Furthermore, Nigeria, Uganda, Kenya, South Africa, Tanzania, Ghana, Cameroon and Egypt have the highest rates of startup investments across Africa (van Halen, 2015:2). Dawson, Henley and Latreille (2009:26) conducted a survey about why individuals choose self employment. The motivational dimensions they found included: existence of opportunity to start a business, the nature of an individual's profession, the desire for a particular lifestyle and need to balance family commitment with working life. There is a difference between entrepreneurship and who is an entrepreneur. In fact entrepreneurship is the process of starting a business whereas an entrepreneur is the person who starts the business. An entrepreneur can be defined as a person who creates his or her own business despite the current situation or environment surrounding them as they are willing to take any risk whether the business succeeds or fails, organize all the resources needed (money, labour, technology and business model) and aim to make a profit (Barringer and Ireland, 2008:5).

The term SMMEs for the purposes of this study was used to refer to small micro medium and large businesses. According to Industry Canada Research Statistics (2015:1) the definition of small business 1-99, medium sized business is 100 - 499 and a large business is 500 or more. The Australian Bureau of Statistics (2015) defines small business as any business employing less than 20 people, medium businesses employ 20 or more people but not more than 200 and large businesses as businesses that employ 200 or more people. In South Africa a small micro medium enterprise (SMME) is any business that employs less than 200 people (Mago and Toro, 2013:21). United Kingdom considers a small medium enterprise (SMME) to be any business that employs 250 or less people (Ward and Rhodes, 2014:3).

## 2. Global Statistics of New SMMEs

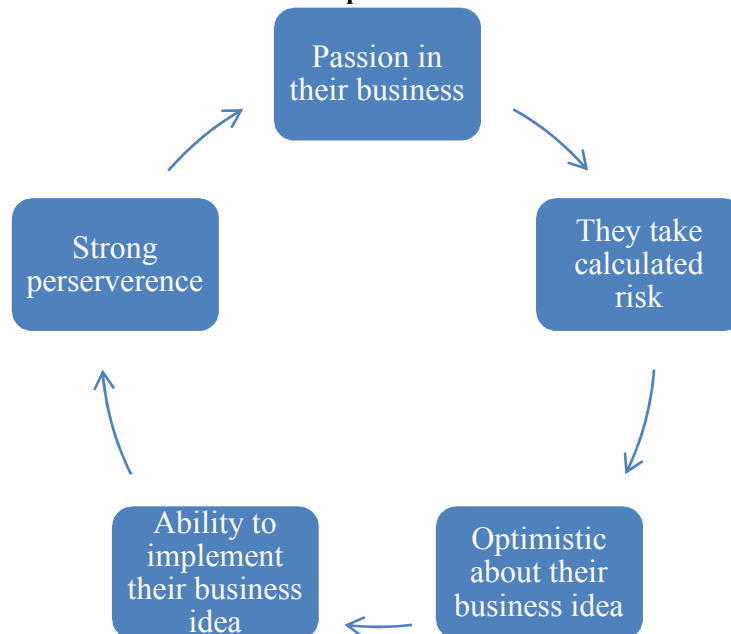
According to the European Commission (2013) small-medium enterprises (SMEs) make up 99% of all the European businesses and generally create two out of three jobs in the private sector labour market (European Commission, 2013). During the year 2013 the United Kingdom recorded 526 446 new businesses and in the following year of 2014 it recorded 581 173 new businesses (Centre for Entrepreneurship, 2014). Germany recorded 915 000 new businesses (393 000 being full time founders) in 2014 alone with 7% of them producing a new innovation to both the Germany and global market (KfW Startup Monitor, 2015:1). Australia recorded 2 100 162 actively trading businesses by June 2014 thus it had 20 496 new businesses created during the period of 2013-2014 (Australian Bureau of Statistics, 2015). Close to 3.7 million new businesses were started in China during the year 2014 with an increase of 46% from the previous year's figure (Atherton, 2015). Today even in large economic powerhouses such as Brazil, Malaysia, Indonesia, Germany, Canada, Turkey, South Korea, Nigeria and Egypt small businesses form the backbone of these economies and have managed to turn them into growth engines of the world. Small businesses offer their economies high innovation, job creation and enhanced international trade (Ferrell and Hirt, 2002:138).

## 3. Common traits of successful entrepreneurs

Most of the academic researchers have found certain common traits or characteristics about successful

entrepreneurs and these are depicted in Diagram 3.1.

**Diagram 3.1 Characteristics of Successful Entrepreneurs**



(Muteswa, 2016)

**3.1 Passion in their business** - most entrepreneurs have strong interests about their business and this is mainly due to the fact that they spend many years learning in order to become fully knowledgeable about their product or service and how it can help satisfy customers' unfulfilled needs. Entrepreneurs also usually have strong inner desires to see their business ideas succeed. A good example of entrepreneurs with passion in their business is Microsoft co-founder Bill Gates and Paul Allen who started a little known Micro-soft as a partnership in 1975 but because when they started their company they knew they would provide people with computer software that would operate on any computer device anywhere in the world and it would improve people's lives forever (Alfred, 2008). Passion to make their business idea work makes most starting entrepreneurs to end up selling their personal belongings, borrowing money from friends or family, quit their jobs to get retirement financial packages and use up all their life bank savings in order to raise the capital needed to finance their new business venture.

**3.2 They take calculated risk** - most entrepreneurs before they carefully think about the steps they will take to make their business idea successful and realistic. Three main steps are taken by entrepreneurs. Firstly, they will conduct market research to test if their business idea will have a market or not before they start their business venture. Secondly, they draw up business plans that help them identify their intended business venture's strengths, weaknesses and competitors. Thirdly, they formulate a business model which involves formulating a plan of how the business venture will deal with competition, utilize its financial or human resources effectively, build good customer or supplier relationships and how it will enhance its transformation processes to maintain quality that will help the business to continue increasing its sales and profits (Ehrlichman, 2015).

**3.3 Optimistic about their business idea** - entrepreneurs most of the times tend to be confident or certain that their idea will work in the marketplace. Starting a new business is not easy as it requires many things to be done whilst at the same time many challenges are faced thus optimism is required to motivate an individual to overcome their challenges to make their business idea a success (Ehrlichman, 2015).

**3.4 Ability to implement their business idea** - thinking and dreaming of ideas in your brain is easy but writing them down then trying to execute them is difficult. It requires a certain person with a certain ability to implement ideas to make a business idea come alive. This is a critical characteristic an entrepreneur should possess (Barringer and Ireland, 2008:7).

**3.5 Strong perseverance** - when entrepreneurs start their businesses they are faced with high uncertainty and great challenges which may result in them making many errors of judgement hence this may cause their business ventures to fail or even close down. Even if a business closes down for the first time as a result of a mistake or bad judgement error a good entrepreneur continues to persevere and believing in trying again and running their

business much better than the first time. It is common for new businesses to face numerous problems and setbacks but the important fact is the ability of the entrepreneur to never give up on their dream (Roberto, 2009:1). For example, in the United States of America (USA) when Colonel Harland Sanders started his Kentucky Fried Chicken (KFC) he never gave up on his dream as he went on to spent a number of years properly developing his secret herbs and spices chicken recipe and today KFC operates in 115 countries (by 2016 it had over 18 000 franchise outlets) in the continents of Africa, Europe, Asia, Oceania and North America as a result of his strong perseverance (Ramsai, 2016) & (Dawson, 2015).

#### 4. The Benefits of Owning a SMME

Most entrepreneurs enjoy various benefits from owning a SMME and these are depicted in Diagram 4.1.

**Diagram 4.1 The 5 Benefits of Owning a Business**



(Muteswa, 2016)

**4.1 Ability to directly control your future** - one of the advantages of the entrepreneur owning a business is that he or she can dictate every aspect of their life as they wish than a person working for someone else who follows their employers' career plan. Owning a small business empowers a person to plan their life goals according to their own preferences and priorities (Robinson, 2015).

**4.2 Ability to improve lives** - when entrepreneurs start their business they have strong passion in their business and its products or services since they will be aware of how they can change lives. For example, an entrepreneur who starts a refuse collection company in Complexo do Alemão in Rio de Janeiro a low income suburb in Brazil will help clean the communities by collecting garbage and litter from households including business centres in these areas. Thus such a business service helps to improve peoples' health standards and also protects the environment to stay clean. For example, an entrepreneur who has played a highly distinguished and impressive role in improving peoples' lives globally in terms of health standards and transport is Suzanne Quandt Klatten a German national who is a co-owner of one of the world's largest car manufacturers BMW and pharmaceuticals company Altana. Today Suzanne Klatten is globally recognized for her critical role in the turnaround of Altana Pharmaceuticals AG by making it into a highly successful and profitable top notch specialty drug manufacturer (Forbes, 2015). She is an economist by profession and considered as one of the most successful women entrepreneur in the world (Becker, 2015) & (Forbes, 2015).

**4.3 Reap financial rewards** - every entrepreneur enters into business for one or two reasons and making a profit is always one of them. A business idea that turns out to be viable allows the entrepreneur to enjoy the benefits of their hard work and commitment. Many entrepreneurs start their businesses small but through their hard work their businesses end up growing and in the long run they get the opportunity to enjoy huge financial rewards (Robinson, 2015).

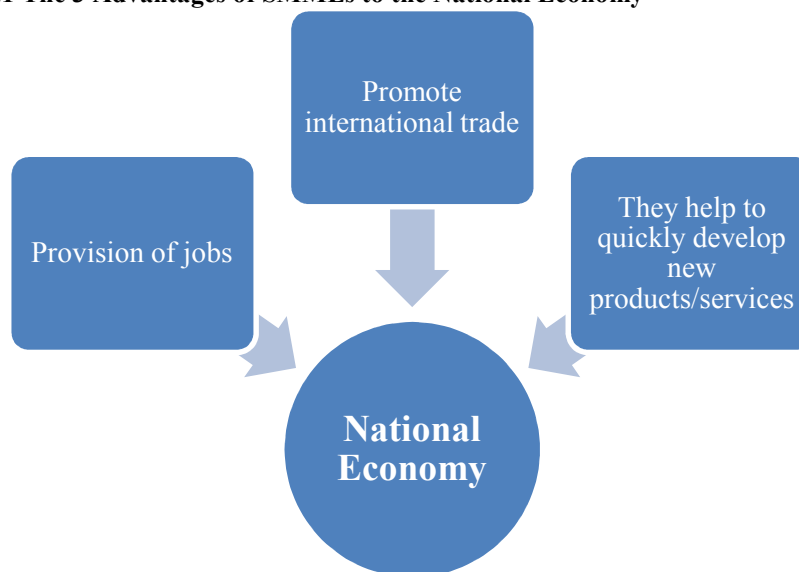
**4.4 Opportunity to leave a legacy** - when an entrepreneur opens up a business and it succeeds they create a reputable name for themselves in the business community and the country for various achievements. The achievements include: recognition for creating jobs, improving standards of living as people who are employed are able to afford basic essentials (namely: food, shelter, transport and so on) and providing a product or service that fulfilled a gap that existed in the market. A good example of an entrepreneur who has made an impressive significant legacy is Oprah Winfrey the Mississippi (United States of America) born talk show host of the world's most famous Oprah Winfrey Show and founder of Harpo Production Inc. established in 1986. Oprah Winfrey's humble, strong business acumen and philanthropic work around the world has made her to become one of the most successful women entertainers in the world starting from the 1990s (Plunkett, 2009). One of the significant investments she has also done today is her Oprah Winfrey Leadership Academy girls school in South Africa opened in 2007 making her a true role model for many entrepreneurs across Africa to follow suit in promoting the right to education for the girl child especially in poor developing countries. Oprah Winfrey's philanthropic activities are directed towards 'The Oprah Winfrey Foundation' and the 'Oprah Winfrey Operating Foundation' (Elkins, 2015).

**4.5 Provides an opportunity to do what you love** - entrepreneurship allows individuals to be able to do what they love the most instead of being stuck doing a job they dislike and or in an organization where they feel unappreciated for their hard work (Johnson, 2015).

### 5. The Advantages of SMMEs to the National Economy

Today many nations enjoy various advantages as a result of the rapid increase in the number of new SMMEs beings formed on yearly basis and some of these advantages are depicted by Diagram 5.1.

**Diagram 5.1 The 3 Advantages of SMMEs to the National Economy**



(Muteswa, 2016)

### 6. Recommendations for entrepreneurs

Today many entrepreneurs across the world are facing numerous challenges in their day-to-day business activities. The following recommendations and suggestions were indicated by the literature and findings of the study.

6.1 Generally entrepreneurs should have adequate knowledge, technical knowhow and the appropriate skills needed to run a SMME in order to avoid business failure. It is also recommended based on the literature findings that entrepreneurs who do not have the adequate skills and knowledge in running their business should ensure that they employ the appropriately qualified and experienced managers to run it for them (Lussier, 1996).

6.2 Entrepreneurs should learn to be resilient people in managing their business activities and should see every problem as a chance to improve their problem-solving skills. It is also recommended that entrepreneurs who lack adequate skills and experience in certain business field should always seek the advice of experts to guide them in their problem solving tasks in order to avoid making costly errors (Lussier, 1996).

6.3 Furthermore SMMEs can easily be formed but the greatest challenge lies on the entrepreneur's ability to handle the high levels of stress associated with running a business nowadays. It is recommended that entrepreneurs should

invest adequate resources in training and development of their employees in order for them to be able to better manage delegated responsibilities by their superior or bosses. Delegating of responsibilities and also improving the skills or knowledge of employees to better perform their duties help to reduce stress levels of the entrepreneur.

6.4 Small businesses that develop products or services and a operating method that is unique to them enjoy the benefits of being different in the marketplace. A competitive advantage helps to separate one SMME from another (in terms of the quality of products/services, marketing strategies, innovation, exporting, profitability, product/service features and so on) whilst at the same increasing the business's sales revenue income (Barney, 1991:103).

6.5 There is a high level of risk associated owning and running a SMME especially the ability to lose the invested capital resources. Literature findings clearly indicate that entrepreneurs should ensure that they take calculated risks by conducting a feasibility study, drafting a business plan and developing a sustainable business model to help reduce the high probability of their SMME failing to provide a return on investment (ROI).

6.6 Today the success of an SMME mainly lies with its employees thus entrepreneurs should ensure that they have adequate human resources management skills and knowledge in order to effectively manage the most strategic asset of a business that is its people. They should ensure that they pay their talented employees competitive remuneration packages, provide balanced work/life schedule, use effective leadership/management styles and so on (Muteswa and Ortlepp, 2011:14).

## 7. Conclusion

In general SMMEs that set goals that are specific, relate to their intended plans, are time framed, achievable and can be evaluated tend to operate effectively. The literature review findings have also helped to conclude that it is important for entrepreneurs nowadays in this 21<sup>st</sup> century to gain some financial knowledge and or inventory management skills as this helps them to accurately make calculated decisions in the day-to-day management of their businesses. Small businesses that develop products or services and a operating method that is unique to them enjoy the benefits of being different in the marketplace. This paper has presented the literature findings that depict that the main aim SMMEs are being formed today is to sell their products or services in the marketplace at a profit hence entrepreneurs who generally succeed tend to have a strong passion in their business that is its products or services and customers.

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