Motivations and Value Creation: A Comparison of Commercial and Social Entrepreneurs

Jennifer Ruskin*

Faculty of Business and Economics, Macquarie University, Sydney, Australia

jennifer.ruskin@efs.mq.edu.au

Dr. Richard Seymour

Discipline of IBUS, the University of Sydney, Australia

r.seymour@econ.usyd.edu.au

Associate Professor Cynthia M. Webster

Faculty of Business and Economics, Macquarie University, Sydney, Australia

cynthia.webster@mq.edu.au
ABSTRACT

All entrepreneurs recognise opportunities, invest resources, engage in exchange relationships and face substantial risk of failure in an attempt to create, capture and share value. Differences between commercial and social entrepreneurs appear when the focus and orientation of entrepreneurial motivations are considered. While both commercial and social entrepreneurs are driven by intrinsic motivations to satisfy basic psychological needs and both are motivated by extrinsic rewards, past research indicates that only social entrepreneurs seek to create value and achieve tangible benefits for disadvantaged segments of society. We offer a conceptual foundation for comparing commercial and social entrepreneurial motivations. We also consider value creation using a social exchange perspective to facilitate better understanding of who benefits from the value that is created.

KEY WORDS: social entrepreneurship, characteristics of entrepreneurs, entrepreneurs

Social entrepreneurship exists at the intersection of non-profit organisations, that leverage some percentage of earned income, and commercial ventures, with a strong sense of social purpose alongside their profit motive (Townsend & Hart 2008). Distinguishing between commercial and social ventures can be difficult, because most commercial ventures have some social goals, and most social ventures create some economic value (Austin, Stevenson & Wei-Skillern 2006). Consider what differentiates social ventures from both charitable and commercial ventures. In contrast to charities, social enterprises create social value that has longevity beyond the involvement of the individual social entrepreneur (Martin & Osberg 2007). The services offered by a charity, a homeless shelter for example, would no longer be available if the organisation lost funding and closed its doors. A social venture, on the other hand, creates lasting value in the community even if the enterprise leaves. A second-hand shop that employs homeless people, for example, offers opportunities for people to develop employment skills and envision their potential to regain independence.

What draws people to social entrepreneurship? What motivates an individual to create social value? Perhaps what drives social entrepreneurs is no different from what motivates any other entrepreneur. All entrepreneurs recognise opportunities, invest resources, and engage in exchange relationships over a sustained period of time with substantial risk of failure (Acs & Phillips 2002). At a basic level all
entrepreneurial efforts attempt to create, capture and share value. This value is captured, exchanged or gifted to others inside and outside the firm. Before any venture can prosper, value in the venture’s product or service must be recognised by potential customers. If potential consumers do not value, purchase or utilise the products or services offered by an entrepreneurial venture, then the enterprise is not likely to succeed. Despite these obvious similarities, dramatic differences exist between social entrepreneurs and other commercially oriented entrepreneurs. Social entrepreneurs serve the needs of marginalised, underserved groups within the community and engage in value creation for the greater good (Martin & Osberg 2007).

As the primary aim of social entrepreneurship is to tackle social issues and affect change to benefit the broader community, in what ways do social entrepreneurs benefit? Do social entrepreneurs seek to benefit personally from their ventures? Or are they offering straightforward, humanitarian gifts of resources and opportunities to a community? In other words, are their actions mainly altruistic in nature? Do social entrepreneurs have “a general predisposition to selflessly seek to help others” (Mowen & Sujan 2005: 173). What about when people transition to social ventures following successful careers as commercial entrepreneurs? Can their actions be seen as a repayment to the community that offered them support early in life or earlier in their careers? Are they really straightforward acts of reciprocity? Or do some social entrepreneurs act out of a sense of duty, responsibility and obligation?

Research to date has emphasised the differences between social and commercial entrepreneurs with regards to opportunities pursued, access to human resources, their value propositions and their target markets (Austin et al. 2006). As an ever larger number of social issues arise and social needs are not met, it is increasingly important to understand what drives social entrepreneurs and how they benefit. There has been a call for research focusing on the motivations of social entrepreneurs and the processes by which social value is created and shared (Austin 2006). We can use an exchange theory
perspective to explore both the motivations and the value creation and capture associated with entrepreneurship. Direct exchange offers insight into some returns on commercial and social entrepreneurship, most notably tangible returns. Other value gained through entrepreneurship, such as public recognition or social benefit for communities, are harder to quantify. A generalised exchange perspective enables us to consider value captured over time and value captured by groups of beneficiaries. Using a combination of direct and generalised exchange, we may gain deeper understanding of entrepreneurial outcomes from the perspective of the entrepreneur.

This paper examines entrepreneurial motivations and the benefits that accrue to individuals and their communities as a result of social entrepreneurial activity. Our aim is to offer a conceptual foundation for entrepreneurial motivations that specifically considers the activities of social entrepreneurs and benefits that result. We first discuss existing literature on entrepreneurial motivations and then expand on the literature by introducing self-determination theory from psychology. Next, we turn to value creation using a social exchange perspective to facilitate better understanding of social entrepreneurial ventures and who benefits from the value that is created. Finally, future research potential and managerial implications are considered.

ENTREPRENEURIAL MOTIVATIONS

Entrepreneurial motivations have been classified as either ‘push’ or ‘pull’ motivations (Amit & Muller 1994; Minniti, Bygrave & Autio 2006). That is, some individuals actively pursue entrepreneurship because they find it inherently rewarding, for example they enjoy the challenge, while others become entrepreneurs as an exit strategy from a less desirable situation, such as unemployment. Alternatively, building on earlier work in entrepreneurial motivations (Kuratko, Hornsby & Naffziger 1997), and borrowing from the psychology literature, we can
conceptualise entrepreneurial motivations as intrinsic or extrinsic. Intrinsic motivation is an individual’s tendency to engage in challenging activities for their own personal fulfilment (Ryan & Deci 2000; Webster 2008). People perform certain activities because they enjoy it not because they wish to acquire money or approval. Extrinsic motivation, by contrast, is the tendency to be driven by factors outside the self, such as external rewards or positive evaluations by others (Schmuck, Kasser & Ryan 2000). Both motivations and rewards can be either intrinsic or extrinsic. For example, the drive for public recognition is an extrinsic motivation, fame is an extrinsic reward, the drive for competence is an intrinsic motivation, and satisfaction with a job well-done is an intrinsic reward.

Motivation theories address a range of needs from basic survival needs, such as the need for food and shelter, to higher order needs, such as personal fulfilment. Maslow (1970) proposed a hierarchy of needs such that an individual pursues activities that fulfil their needs at each level before moving on to activities that fulfil their needs at the next higher level. It may be that commercial entrepreneurs who turn to social entrepreneurship later in life have fulfilled some of their extrinsic needs, such as earning a substantial income, and are beginning to address more of their intrinsic needs, such as assisting those less fortunate. Conversely, people who begin their careers as social entrepreneurs may perceive fewer extrinsic needs, and focus their full career on meeting intrinsic needs.

Entrepreneurial motivations identified in past research support the distinction between intrinsic and extrinsic. In one of the few studies of social entrepreneurial motivations, Shaw and Carter (2007) identified that social entrepreneurs are motivated intrinsically by their belief in the work of the enterprise, to achieve personal satisfaction, and by their desire to make a difference. Social entrepreneurs also reported extrinsic motivations, such as meeting local needs (Shaw & Carter 2007). This confirmation of intrinsic and extrinsic motivations for entrepreneurship is also found in the more substantial commercial entrepreneurship literature. Intrinsically motivated entrepreneurs include those who seek challenges and personal growth (Buttner & Moore 1997; Kuratko et al. 1997), those
who want to be their own boss (Burke, FitzRoy & Nolan 2002; Kuratko et al. 1997), and those interested in enhanced work-life balance (Doub & Edgcomb 2005; Schindehutte, Morris & Brennan 2003). Extrinsic motivations include financial drivers (Kuratko et al. 1997) and escaping unemployment (Thurik, Carree, van Stel & Audretsch 2008).

Much work remains to be done in identifying and classifying motivations for social entrepreneurship. As a starting point, we can review motivations that have been found for commercial entrepreneurship, and consider whether these might also be found to motivate social entrepreneurs. See Table 1 for examples of entrepreneurial motivation classified as either intrinsic or extrinsic. For motivations that were identified in a commercial entrepreneurship context, we indicate whether these motivations might be found in the context of social entrepreneurship as well. Seeking public recognition, for example, may very well lead people to either commercial or social entrepreneurship. Although few empirical studies have identified motivations for social entrepreneurship, there is potential for substantial overlap in motivations. It is worth noting that the intrinsic/extrinsic dichotomy does not distinguish social and commercial entrepreneurs, as both types of entrepreneurial activity are motivated by a mix of intrinsic and extrinsic forces.

(Self-determination theory is an intrinsic motivation theory that suggests individuals are motivated to achieve well-being by fulfilling three basic psychological needs: autonomy, competence and relatedness (Samman 2007; Webster 2008). The need for competence is fulfilled by having the opportunity to ‘exercise and express one’s capacities,’ the need for autonomy is met by having control over one’s behaviour, and the need for relatedness is satisfied by feeling connected to others both at the individual and community level (Deci & Ryan 2002: 7-8). For example, proving that one can do...
it (Kuratko et al. 1997) is a motivation that is expected to fill the basic need for competence, having control over one’s time (Buttner & Moore 1997) is expected to meet the need for autonomy, and enhancing work-life balance (Doub & Edgcomb 2005; Schindehutte et al. 2003) is expected to enable entrepreneurs to fulfill their basic need for relatedness. We anticipate that entrepreneurs who meet more of their basic psychological needs are more likely to achieve a higher state of personal well-being.

Another aspect of motivation is the anticipated beneficiary of the activity. All entrepreneurial activity creates value for others in the sense that an entrepreneur whose products or services are not valued by potential customers is not likely to succeed. In addition to clients, the value created by entrepreneurial ventures can benefit a range of stakeholders, including the entrepreneur, shareholders, employees, the entrepreneur’s family, a particular community, or society at large (Mintzberg, Simons & Basu 2002). We will consider these beneficiaries in two groups: the entrepreneur and all other potential beneficiaries.

An entrepreneur can benefit from both intrinsic and extrinsic rewards of entrepreneurial endeavours. The nature of intrinsic motivation (rising to challenges to achieve self-fulfilment) is that the value is created for the entrepreneur. Pursuing entrepreneurship because one enjoys the excitement, for example, is expected to have intrinsic value for the entrepreneur. Extrinsic rewards of entrepreneurship may also benefit the entrepreneur. Tangible rewards, such as an increase in personal wealth, or intangible rewards, such as public recognition can both accrue to the entrepreneur.

Some of the value created through entrepreneurship is intended for capture by stakeholders other than the entrepreneur. Both tangible and intangible extrinsic rewards (Deci, Ryan & Koestner 1999) can accrue to others. An entrepreneur may work to build economic value for shareholders, a business to
pass on to the family, or previously non-existent services for a community. See Figure 1 for an illustration of the dimensions and beneficiaries of entrepreneurship. Do entrepreneurs receive some intrinsic benefit from the value they create for others? That is, does meeting their extrinsic goals enhance their personal well-being? In the figure, this possibility is represented by dashed lines between family, community and society, and the entrepreneur’s well-being.

(INSERT FIGURE 1 ABOUT HERE)

Both social and commercial entrepreneurs are expected to benefit from some combination of extrinsic rewards and enhancement of personal well-being. We anticipate motivational differences between social and commercial entrepreneurs as a result of the drive to create wealth for shareholders in commercial entrepreneurship and the drive to create social value for targeted communities in social entrepreneurship (Dees 1998). It appears that social entrepreneurs are driven by extrinsic other-oriented motivations, such as meeting local needs, but it is not clear to what extent commercial entrepreneurs may be driven to benefit the broader community. This issue is worth exploring empirically as it could be a critical distinction between motivations for social and commercial entrepreneurship.

VALUE CREATION & SOCIAL EXCHANGE

The significance of value creation and capture in the practice of management is recognised, “[y]et there is little consensus on what value creation is or how it can be achieved” (Lepak,Smith & Taylor 2007: 180). This omission may result from a lack of consensus as to the meaning of value, it may also be because of the difficulties associated with researching and measuring the construct (Lepak et al. 2007). Theorists have acknowledged that it is only in the marketplace that objects, labour and work have ‘value’ and that ‘value’ cannot be possessed by a thing, as it is only acquired the moment
the thing appears in public (Arendt 1958). As such, ‘value’ arises from the possibility of exchange (Shackle 1903/1992) and ‘valued things have relative but not absolute value’ (Emerson 1982: 13). Take, for instance, a bottle of water that is worth less than a dollar in a supermarket, it is worth three times that at the cinema, and it might be worth hundreds of dollars to an individual who has been lost in the bush without water for a few days. The circumstances of the exchange and of the individuals involved determine the value of resources exchanged.

It has been noted that Adam Smith in The Wealth of Nations (1776) was the first to “distinguish between value in use of a commodity, being its power to satisfy human wants, and value in exchange, being the quantity of other goods and services that someone would be prepared to give up in order to acquire a unit of the commodity” (Throsby 2001: 20). From this perspective, the issue of reciprocity is emphasised with value derived from direct give and take between two parties. The resources that one actor gives are directly contingent on the resources that the other gives in return (Blau 1964; Ekeh 1974; Emerson 1976; Lévi-Strauss 1949/1969; Takahashi 2000). Consequences of exchange transactions, however, can be explored on multiple levels in relation to: (a) the nature of the exchange relationships (whether restricted or generalised), (b) the nature of value exchanged (whether asynchronous or synchronous and equitable or inequitable), and (c) the value derived from the exchange transaction.

Restricted exchange interactions, also referred to as ‘direct exchange’ and ‘balanced reciprocity’ (Sahlins 1972), are those in which the actors exchange resources directly with each other. Restricted transactions can be exclusive, such that parties transact uniquely, or inclusive in which parties transact with multiple parties. Restricted transactions are associated with stipulated returns of commensurate worth and utility within a finite and narrow period (Sahlins 1972). This situation of balanced reciprocity suggests that people are motivated by direct returns and assumes that individuals conduct a cost-benefit analysis of exchange relationships (Yamagishi & Cook 1993). Individuals are likely to
remain in an exchange relationship when the value of what they receive outweighs or is commensurate with the cost of what they give (Homans 1958). This type of exchange appears to be consistent with entrepreneurs who are motivated by self-interests and tangible rewards.

In contrast, the concept of *generalised* exchange recognises that the significance of the economy lies in the transactions of which it is composed ‘and therefore in the quality of relationships which these transactions create, express, sustain, and modify’ (Firth 1967: 4). Generalised exchange is characterised by unilateral resource giving, one’s giving is reciprocated not by the recipient, but by a third party (Bearman 1997; Ekeh 1974; Emerson 1982; Granovetter 1993; Mauss 1950/1969; Takahashi 2000; Yamagishi & Cook 1993). Two types of generalised exchanges exist. With the chain (or circle) type of generalised exchange, each participant provides benefits to another who does not return benefits directly, but instead passes benefits to a different participant who continues the chain with benefits eventually coming full circle flowing to the initial participant. In the net (or group) type of generalised exchange, participants receive shares of total benefits of resource pooling or contribute to a group (Ekeh 1974; Yamagishi & Cook 1993). In both types, benefits received by a participant are not tied directly to the resources that are offered, and the timeframes associated with reciprocity can be indefinite (Sahlins 1972). As such, the return is much less certain but definitely still anticipated. The group exchange situation where resources are pooled and only certain participants benefit at any one time comes close to reflecting the social entrepreneurial situation where resources are devoted to the social venture and the benefits are shared amongst a set of others.

Considering social entrepreneurs and their motivations raises two interesting issues related to generalised exchange. First, rewards for intrinsic motivation, such as satisfaction with a job well done (Anderson 1998) or spiritual fulfilment (Mitroff & Denton 1999), may require us to look to the self for the return gift. Exchange theory generally addresses relationships between two actors or among a group of actors. An entrepreneur who seeks spiritual fulfilment through their engagement with a
disadvantaged community, however, may not seek a return gift that could come from another
individual. Their return gift, as it were, may come from within. It may be the enhanced well-being
they experience as a result of meeting their basic psychological needs. The second issue is the idea
that there is always an expectation of some eventual return which at some level negates the possibility
of altruistic motives. Is there an exchange context within entrepreneurship in which a ‘pure’ gift is
created and shared or is there always intrinsic value as a return to the entrepreneur?

Non-reciprocated transactions are considered with reference to the ‘gift’. Significant confusion exists
in the literature when referencing the gift. The gift has been viewed as a commitment that awaits
acceptance and (eventual) return. The notion of reciprocity is reflected in the earliest anthropological
conceptualisations of the gift (including Lévi-Strauss 1949/1969; Lévi-Strauss 1966; Mauss
1950/1969) and in the social exchange theory of marketing (Bagozzi 1975a; Bagozzi 1975b; Blau
1993; Blau 1964; Homans 1958). ‘Gift’ in this sense emphasises the obligation to give, the obligation
to receive and the obligation to make a return for the gifts received (Mauss 1950/1969). Alternative
conceptualisations are of the ‘pure gift’ (Weiner 1980; 1985; 1992). Theorists such as Derrida (1992)
Pireddu (2002) and Godelier (1999) would argue that in the truest meaning of the word, a ‘gift’ is an
un-calculating donation that awaits or expects no return or benefit, it is something one gives willingly
with no expectation of repayment. An exchange that is not reciprocated may be how many social
entrepreneurs view their efforts. These issues of motivation, value creation and social exchange are
ripe for empirical investigation.

CONCLUSION

This paper has offered a framework for exploring the differences in motivations, value creation and
value capture between commercial and social entrepreneurial activities. There is substantial overlap in
motivations that drive the two types of entrepreneurship, but it is the differences that offer insight into
the factors that lead social entrepreneurs to create positive change at the community level through their entrepreneurial activities. An analysis of social ventures from an exchange theory perspective offers a structure for understanding which stakeholders benefit from the value created by social ventures. Researchers may need to look beyond reciprocal exchange theory and integrate the concept of the pure gift to understand the motivations and contributions of social entrepreneurs more fully.
REFERENCES


### Table 1: Intrinsic and Extrinsic Motivations for Entrepreneurship

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Context of Study</th>
<th>Examples</th>
<th>Potential Consistency</th>
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<tr>
<td><strong>Intrinsic</strong></td>
<td>Commercial</td>
<td><em>Seek challenge and personal growth</em> (Buttner &amp; Moore 1997; Kuratko et al. 1997)</td>
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<td><em>Passion for process</em> (Kuratko et al. 1997)</td>
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<td><em>Prove one can do it</em> (Kuratko et al. 1997)</td>
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<td><em>Enjoy the excitement</em> (Kuratko et al. 1997)</td>
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<td><em>Be one’s own boss</em> (Kuratko et al. 1997)</td>
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<td></td>
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<td><em>Control over time</em> (Buttner &amp; Moore 1997)</td>
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<td><em>Maintain personal freedom</em> (Kuratko et al. 1997)</td>
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<td></td>
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<td><em>Enhance work-life balance</em> (Doub &amp; Edgcomb 2005; Schindehutte, Morris &amp; Brennan 2003)</td>
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<td></td>
<td>Social</td>
<td><em>Belief in the work of the enterprise</em> (Shaw &amp; Carter 2007)</td>
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<td><em>Personal satisfaction</em> (Shaw &amp; Carter 2007)</td>
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<td><em>To make a difference</em> (Shaw &amp; Carter 2007)</td>
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<td><em>Help other people</em> (Burke et al. 2002)</td>
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<td></td>
<td><em>To tackle a social issue</em> (Shaw &amp; Carter 2007)</td>
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<td></td>
<td>Commercial</td>
<td><em>Increase personal income</em> (Kuratko et al. 1997)</td>
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<td><em>Acquire personal wealth</em> (Kuratko et al. 1997)</td>
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<td><em>Secure future for family</em> (Kuratko et al. 1997)</td>
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<td><em>Build business to pass on</em> (Kuratko et al. 1997)</td>
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<td><em>Gain public recognition</em> (Kuratko et al. 1997)</td>
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<td><em>Increase opportunities</em> (Kuratko et al. 1997)</td>
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<td><em>Avoid blocks to career advancement, e.g. discrimination</em> (Buttner &amp; Moore 1997)</td>
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<td><em>Escape unemployment</em> (Thurik et al. 2008)</td>
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<td><em>Explore opportunities</em> (Thurik et al. 2008)</td>
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<td><em>Grow the business</em> (Delmar &amp; Wiklund 2008)</td>
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<td><em>Achieve job security</em> (Burke et al. 2002)</td>
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<td>Social</td>
<td><em>Benefit the environment</em> (Burke et al. 2002)</td>
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<td><em>To meet local needs</em> (Shaw &amp; Carter 2007)</td>
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FIGURES

Figure 1: Dimensions and Orientations of Intrinsic and Extrinsic Motivation

[Diagram showing the relationship between intrinsic and extrinsic motivation, with various dimensions such as Autonomy, Competence, Relatedness, Tangible and intangible rewards, and their impacts on Entrepreneur's well-being and other stakeholders like Shareholders, Community, Employees, and Family.]