

An empiric model of social entrepreneurs' motivations

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Abstract

The initial motivations of social entrepreneurs are crucial to the creation of social enterprises and have been the subject of some studies. However, the motivations that occur during the persistence of these organizations have been much less studied.

The main objective of the present work is to study the initial motivations in the creation of social enterprises in Peru, as well as to analyse the dynamics of motivations and activities over time (longitudinal study), and to design a model that integrates the results obtained. To this end, interviews were conducted with nine hybrid social enterprises from Peru (initial motivations), and four of these interviews were used for the longitudinal study.

Motivations were classified into the following categories: helping society, social network support, closeness to the social problem, financial sustainability, personal fulfilment, institutional context, cultural context and market context.

In the creation of a social enterprise, the main motivation was the helping society one, although the personal fulfilment, the closeness to the social problem and the market context have also been important.

During the persistence of social enterprises, market context and helping society motivations remained relevant, especially the helping society motivation that seems to have been reinforced. However, during the persistence, the motivation that recurrently generated more activities is the financial sustainability one, and the early setup of this motivation was considered advantageous. Finally, it has been suggested that the relation between financial sustainability and helping society motivations is crucial in the persistence of the analysed hybrid social enterprises.

Keywords:

Social entrepreneur, social enterprise, hybrid organization, motivation, enterprise creation and persistence, longitudinal study, Peru.

Introduction

Social enterprises might represent an important way of reducing social problems (Kerlin, 2006; Moss et al., 2011; Tigu et al., 2015), sometimes providing with their business models essential goods that neither the private sector nor the public sector guarantee. Social entrepreneurship is growing, with more and more individuals creating organizations for the purpose of fulfilling a social mission (Santos, 2012).

This work focuses on hybrid social enterprises that are organizations that have a dual purpose: to generate profit for their owners, and to contribute to social well-being (Young, 2001). Sometimes these organizations face difficulties in effectively combining the main motivations for these two goals.

A better understanding of the motivations of social entrepreneurs might help to promote their development and effectiveness (Yitshaki and Kropp, 2015). Understanding the motivations of social entrepreneurs is also relevant in order to formulate public policies that stimulate social entrepreneurship (Mair and Marti, 2006).

In this study, motivations are studied in two moments, in the creation of the social enterprise and in its persistence, because it is important to realize what motivates individuals to create social enterprises, as well as what makes them to persist.

Several studies have investigated the motivations in the creation of social enterprises and have classified them into different categories. On the other hand, there are not many studies that attempt to explain the dynamics and processes of motivations in the persistence of social enterprises, contextualizing them through relationships, as Omorede (2014) did for non-profit organizations. Besides, longitudinal studies of entrepreneurs' motivations are scarce (Shepherd, 2015).

This study analyses empirically the motivations of social entrepreneurs from Peruvian hybrid social enterprises and the way in which these motivations change through time, by taking into account the activities performed in the enterprise.

The following research questions (RQ) were addressed:

RQ1 - What are the motivations that influence an individual to create a social enterprise?

RQ2 - What are the motivations for an entrepreneur to persist with their social enterprise and what are the consequent activities? Of these motivations and activities which are the most important?

RQ3 - What is the relation between the most important initial motivations and the motivations that contributed most to the persistence of the social enterprise?

Literature Review

The definitions of social entrepreneur, social enterprise and social entrepreneurship abound in the literature (Zahra et al., 2009; Dacin et al., 2010, Dato-On and Kalakay, 2016).

Social entrepreneurs are viewed as individuals who significantly influence societies and communities by adopting business models to provide creative solutions to solve complex and permanent social issues that have not attracted the interest of other actors, whether commercial, governmental or non-governmental ones (Zahra et al. al., 2009). Like traditional entrepreneurs, many of them deal with clients, suppliers, barriers to entry, competition, operations and economic issues (Oster, 1995). According to Dees (1998) "social entrepreneurs are a species within the entrepreneurial genre, they are entrepreneurs with a social mission". Social entrepreneurs are thus described as entrepreneurs who strive to solve a social problem (Dees, 1998) by having a social mission that is considered to be fundamental (Dacin et al., 2011; Dees, 1998). According to Dees (1998), for social entrepreneurs, the creation of economic value appears as secondary and it is only a way of achieving an objective, while for traditional entrepreneurs, the creation of economic value is the main goal. For Tracey and Phillips (2007), social entrepreneurs combine social and commercial goals by developing financially sustainable solutions to social problems. These entrepreneurs go through a process of identifying and exploiting market opportunities through their business models to typically 1) develop products and services that achieve social purposes or 2) generate surpluses that can be reinvested in a social project.

In the context of a longitudinal study, the social entrepreneur can be seen as the individual who conceives the initial idea, advances towards the creation of the enterprise and works to persist with it (Germark and Robinson, 2014).

First, it is important to define what social enterprises are. These are simply understood as "organizations seeking enterprise solutions to social problems" (Thompson and Doherty, 2006). The social enterprise is defined by the 2006 Nobel Peace Prize winner Muhammad Yunus as "an initiative of social consequences created by an entrepreneur with a social vision."

According to Guerra et al. (2016), there are four types of organizations: social non-profit organizations, non-social non-profit organizations, hybrid or social for-profit organizations and non-social for-profit organizations. The choice of the organizational structure of the company is influenced by the social mission, the resources and the acquisition of capital and economic value (Guerra et al., 2016). This study will focus on hybrid or social for-profit organizations (hereinafter called hybrid social enterprise) that are defined by Guerra et al. (2016) as social organizations that have an intentional social mission and a profitable organizational form.

The hybrid social enterprises' entrepreneurs have the intention to be financially successful by exploiting market niches that promote the creation of social and economic value.

Motivation is a very important factor in the creation of a new for-profit company and also plays a very important role in the development, growth, persistence and success of the company (Shane et al., 2003; Carsrud and Brannback, 2011). The same might be true for social enterprises, however this has not been much studied, especially with regard to their persistence (Omoredede, 2014).

Motivation is the act of awake interest in something or might be defined as the impulse that triggers a conscious activity in an individual (Carsrud and Brannback, 2011). This refers to internal factors that drive action and external factors that can act as incentives to action (Locke and Latham, 2004).

According to the literature, there have been relevant studies that have used diverse categories of motivations, as a way of explaining the creation of social enterprises (Murphy and Coombes, 2009; Boluk and Mottiar, 2014; Germark and Robinson, 2014; Omorede, 2014; Braga et al., 2015; Christopoulos and Vogl, 2015; Tigu et al., 2015; Yitshaki and Kropp, 2015, Guerra et al., 2016; Ghalwash et al., 2017). Some examples of these categories are the passion, the closeness to the social problem, the local conditions, the personal development, the altruism, the financial independence, the empathy, the social mission and the personal fulfilment.

In the few studies performed on the persistence of social enterprises (Omorede, 2014; Braga 2015; Christopoulos and Vogl, 2015; Tigu et al., 2015) the categories of motivations important for their persistency were the support of the social network, the passion for a cause, the empathy, the humility, the generation of financial rewards, the constant need for change, the success, the relations with government and the social role in the community.

In order to analyse longitudinally the evolution or change of motivations in a dynamic way, it is important to focus not only on the initial entrepreneurial activity, but also on the following entrepreneurial activities, such as the introduction of a new service or product or the entry into new markets (Shepherd, 2015). These are examples of entrepreneurial actions, in which different activities are part of the development of social enterprises. However, to our knowledge, there are no longitudinal studies of motivations performed in hybrid social enterprises.

A specific activity of a company is in this study defined as the behaviour in response to an entrepreneurial motivation (Carsrud and Brannback, 2011) that transforms an intention into a real action. Thus, the analysis of the various activities of the social enterprise over time allows us to study the changes in motivations that the social entrepreneur has in a longitudinal way (Mort et al., 2003). These activities may change mainly due to a strategic change (when there is a new strategy in the company that involves risk (Wiersema and Bantel, 1992)) or to certain challenges (moments of challenging entrepreneurial tasks as defined by Shepherd 2015).

Methodology

This study was carried out using hybrid social enterprises of Peru, a developing country (World Bank, 2009¹) with a large number of new social enterprises and, therefore, a country whose phenomenon of social entrepreneurship is in full blast. The original goal was to choose

¹ www.data.worldbank.org

hybrid social enterprises that have the B Corp certification² or that are part of the NESsT system³.

The research was divided in three parts: initial motivation study; longitudinal study; model built based on the two previous studies.

All studies were based on recorded semi-structured, personal and in-depth interviews to entrepreneurs of social enterprises, carried out from the 6th October to the 22nd November 2017, at Lima, Peru. Each interview took from 40 to 80 minutes.

For the initial motivation study, nine social enterprises were chosen, while in the longitudinal study, four of these nine enterprises were selected based on the fact that they were older, and according to Omorede (2014) this will allow a longer temporal perspective and to better study their persistence.

All selected social enterprises were hybrid at the beginning (Hoseg, Pimalpaka, Shiwi, Casa Collab, Sft, Sinba, Pietà Project) except for two cases that became hybrid during the development of the company (Alto Peru and Inka Moss).

The transcription and analysis of the interviews were done in different ways for the two studies. All interviews were transcribed and analysed in the four companies that were analysed for the study of the initial motivations and for the longitudinal study (Hoseg, Pimalpaka, Shiwi and Inka Moss), while in the remaining enterprises that were only studied for the initial motivations only the respective parts of the interviews were analysed.

The analyses of the interviews were divided in the following steps: reading transcriptions several times to annotate the main ideas; identification of transcripts of interviews that corresponded to motivations; classification of the motivations in initial codes, according to Braun and Clarke (2006), which correspond to the main content of the motivation; classification of motivations into categories. These categories were defined based on the categories present in the literature (ex.: Guerra et al., 2016), as well as on specific aspects of the data.

In the study of the initial motivations, companies that presented each category of motivations were taken into account, and the main motivation category of each company was identified as the one perceived by the entrepreneurs' response to the question "why did you create the organization?" or what they have answered in the interview as the main reasons for creating the organization. In the longitudinal study, the categories of motivations were ordered in order of decreasing importance, through a specific question of ordering motivations that was made after the interview by e-mail. The motivation that was identified as the first one was considered the principal motivation, and the following ones were considered as other principal motivations. For the enterprises studied longitudinally, chronological schemes of each enterprise from its creation through its persistence were made by showing the activities and the respective motivations of the entrepreneurs over time (not shown here). In order to compare these companies, the following basic quantitative techniques were used: selection of

² www.bcorporation.org

³ www.nesst.org

the activities that emerged in most of these companies; selection of the motivations that emerged most frequently (in two or more enterprises) in each of these selected activities; and the number of times that each motivation appeared during the persistence of all studied enterprises.

Based on the two studies, the results were integrated into a model that presents two phases: the creation of the enterprise and the persistence of the company. In the creation of the enterprise the most frequent initial motivations, defined as those that appeared in more than five of the companies interviewed, and the principal initial motivation were considered. At this phase, when there was a strong relationship between categories of motivations, this was also represented in the model. In the persistence of the company, we have used the quantitative techniques described above.

Results and discussion

In the present study, the following categories of motivations were considered to be the best to characterize the motivations reported by Peruvian entrepreneurs: helping society, social network support, closeness to the social problem, financial sustainability, institutional context, personal fulfilment, context cultural and market context. This classification was considered the main difficulty of the present study, as there is no universal classification of categories that has been published.

In the creation of a social enterprise, all the entrepreneurs of the companies interviewed presented motivations classified in the category of personal fulfilment. Also, the categories of motivations to help society, closeness to the social problem and the market context were verified in the majority of the companies interviewed, and, together with personal fulfilment, were considered in this work as the most frequent initial motivations.

Among the most frequent initial motivations, it is worth highlighting the category of helping society that was considered the principal motivation in most of the companies interviewed and can therefore be seen as the fundamental category of initial motivations of Peruvian social entrepreneurs.

In comparison with other studies (ex.: Germark and Robinson, 2014; Christopoulos and Vogl, 2015; Guerra et al., 2016), it seems that in Peru, as in other countries, the motivation of helping society to create a social enterprise is very important. In opposition, local condition motivations as the cultural context and institutional context that have appeared as motivations to create a social enterprise in Peru are not described in other studies and might be related to specific social, economical, geographical and climate conditions of Peru. However, these local condition motivations were not considered as the most frequent or the principal motivations.

During the persistence phase, motivations and activities were analysed over time, but there were no comparisons with the literature, as, to our knowledge, there are no published studies of longitudinal studies in hybrid social enterprises.

During this phase, the initial motivations of closeness to the social problem and personal fulfilment were no longer important. Contrarily, during the persistence of social enterprises, the motivations of market context and of helping the society that had already been important for the creation of the company, remain relevant, namely the motivations to help the society that seems to have been reinforced. However, during persistence, the motivation that has repeatedly generated more activities is the one of financial sustainability. In fact, all the activities identified as the most important ones during the persistence of the companies were generated by financial sustainability, are of the following types: product diversification, creation and/or diversification of social activities, diversification of partnerships and/or sources of funding sources, certifications obtainment and creating of activities focused on responsible consumption. An early set-up of the financial sustainability motivation seems to be related to an earlier diversification of activities that might be important for the development of the company.

The relation between the most important motivations during persistence (to help society and the financial sustainability) seems to be crucial for the development of the hybrid company, as there are several activities generated by both motivations. However, in some activities, the influence of these motivations is independent, while in others, the motivation of helping society seems to have been used to serve the financial sustainability motivation.

Based on the results of this study, a model was developed (Figure 1) that outlines the most important motivations and activities, as well as their relations at the creation phase and at the persistence phase of the hybrid social enterprise.

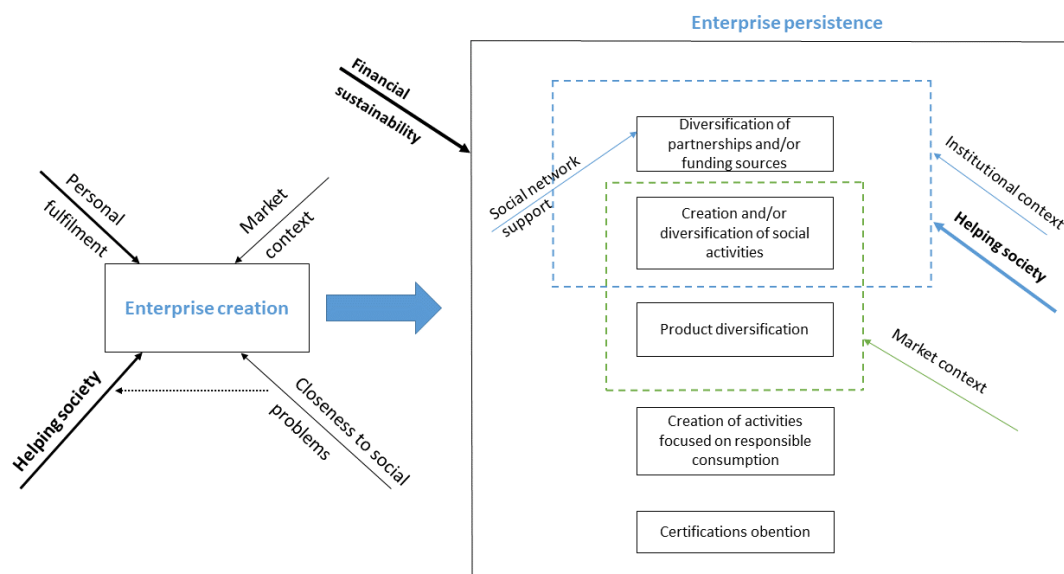


Figure 1 – Model of creation and persistence of hybrid social enterprises that integrate both the most frequent motivations (arrows) and the most important activities during persistence (boxes). The most important motivations were marked in bold.

Conclusions

Motivations were classified into the following categories: helping society, social network support, closeness to the social problem, financial sustainability, personal fulfilment, institutional context, cultural context and market context.

In the creation of a social enterprise, the main motivation was the helping society one, although the personal fulfilment, the closeness to the social problem and the market context have also been important.

During the persistence of social enterprises, market context and helping society motivations remained relevant, especially the helping society motivation that seems to have been reinforced. However, during the persistence, the motivation that recurrently generated more activities is the financial sustainability one, and the early setup of this motivation was considered advantageous as was considered related to an earlier diversification of activities that might be important for the development of the company.

Finally, it has been suggested that the relation between financial sustainability and helping society motivations is crucial in the persistence of the analysed hybrid social enterprises.

In the future, it is necessary to study the persistence of a higher number of enterprises from the different types of organizations, in order to validate this model. Besides, it would be interesting to better study the relation among motivations during the persistence of the enterprises, as well as the relative importance of motivations, namely the motivations of helping society and of financial sustainability to develop activities that might increase the social impact and foster the effectiveness of the enterprises.

Finally, considering that the relations between motivations and activities are not being studied in social enterprises, it would be interesting to develop more studies on these relations. According to the present results, the relation of an early setup of the financial sustainability motivation with an earlier diversification of activities that might result in a higher social impact and effectiveness of hybrid social enterprises should be investigated using a higher number of enterprises.

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