MOTIVATION AND VENTURE CREATION SPEED: COMPARING SOCIAL AND COMMERCIAL ENTREPRENEURS

Scott L. Newbert
Villanova University, USA, scott.newbert@villanova.edu

Narda R. Quigley
Villanova University, USA

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol35/iss5/1
THE G. DALE MEYER AWARD
FOR THE MOST RELEVANT RESEARCH IN
SOCIAL ENTREPRENEURSHIP

MOTIVATION AND VENTURE CREATION
SPEED: COMPARING SOCIAL AND
COMMERCIAL ENTREPRENEURS

Scott L. Newbert, Villanova University, USA
Narda R. Quigley, Villanova University, USA

ABSTRACT

Given the fleeting nature of opportunities and the resource-poor state of entrepreneurs, time is of
the essence during the emergence phase. Because motivation is a key driver of individual action, we
hypothesize that two motivational factors (tenacity, self-efficacy) will increase venture creation speed.
Moreover, in response to arguments that motivation may affect social and commercial venture creation
differently, we hypothesize that these effects are contingent upon entrepreneur type. Analyzing PSED II
data, we find that tenacity and self-efficacy have opposing effects on venture creation speed and that the
effect of self-efficacy is weaker for social entrepreneurs.

INTRODUCTION

Over the years, scholars have examined numerous psychological variables as antecedents to
the entrepreneurial process, with most early studies focusing on motivational traits, or attributes of
individuals that remain stable over time. More recently, entrepreneurship scholars have focused on the
more proximal motivational states, or individuals’ beliefs regarding their interest in and capacity to
bring about change in their work environment. Unfortunately, prior studies have tended to either focus
on post-emergence outcomes (i.e., performance), in which case they fail to capture the most prominent
effects of motivation (Frese and Gielnik, 2014), or to treat venture creation dichotomously (i.e., whether
the entrepreneur created a new venture or not), in which case they fail to account for the fleeting nature
of entrepreneurial opportunities (Lèvesque et al., 2013). Thus, we begin our study by examining the
relationship between motivation and the speed with which entrepreneurs create new ventures. In so
doing, we seek to account for heterogeneity in the population of new ventures by considering how
the motivation-venture creation speed relationship might differ for distinct subsets of entrepreneurs.

Hypotheses development

Given arguments that the earliest phases of entrepreneurial activity are most likely to be influenced
by the psychological makeup of the individual entrepreneur, as his/her influence on the venture weakens
over time as the business grows (Frese and Gielnik, 2014), we believe focusing on how motivation relates
to venture creation is the most appropriate context in which to study it. While many previous studies
have explored motivation in the context of emerging ventures, none have explored how motivation
relates to the timing of the start-up event. This omission is important given that entrepreneurial opportunities are widely agreed to have short life spans (Lévesque et al., 2013). As Eisenhardt (1989: 570) notes, because “opportunities move quickly, once a firm is behind, it is difficult to catch up.” In support, research suggests that long time lags between the identification and the exploitation of entrepreneurial opportunities are negatively associated with the emergence, performance and survival of new firms (Schoonhoven et al., 1990; Townsend et al., 2010). In addition to these external pressures, entrepreneurs are also constrained by the fact that the internal resource base with which they are able to exploit the opportunities they choose to pursue is limited (Aldrich, 2000). Although entrepreneurs are often able to acquire additional resources during the emergence phase, building the relationships necessary to do so is a time-intensive process (Birley et al., 1991), thereby increasing the likelihood that the window of opportunity will close. In light of these concerns, entrepreneurs are best-served by proceeding through the emergence phase as quickly as possible so they neither miss the opportunity nor exhaust their resources in exploiting it (Newbert et al., 2013).

Despite the importance of expeditiousness during the emergence phase, only a paucity of studies have focused on the antecedents to venture creation speed (Capelleras and Greene 2008; Capelleras et al. 2010; Tornikoski and Renko, 2012) and none have explored the role played by motivation. We believe motivation is likely to be instrumental to venture creation speed, as it is widely agreed to influence “the direction (i.e., choice of activities), intensity (i.e., amount of effort), and persistence (i.e., duration of effort) of an individual’s behavior” (Diefendorff, 2007: 489). In exploring how motivation relates to venture creation speed, we note evidence that both traits and states influence entrepreneurial action. Thus, we consider the effect that each has on venture creation speed. Amid the limitless number of traits and states as potential predictors of various entrepreneurial outcomes, we focus herein on the most prominent: tenacity, given its recognition as “the archetypal entrepreneurship trait” (Baum and Locke, 2004: 588-589), and self-efficacy, an antecedent of entrepreneurial activity that is the predominant construct in social cognitive theory within the work motivation literature (Bandura, 1997).

Tenacity is a motivational trait that involves sustaining goal-directed effort over time (Shane et al., 2003) and is believed to be particularly important for entrepreneurs, given the daunting barriers start-ups must overcome to emerge (Baron and Shane, 2004). We expect highly tenacious entrepreneurs to undertake the emergence phase with their desire to succeed in mind and to act on the basis of what is best for the venture. These economically rational choices will likely help more tenacious entrepreneurs complete the venture creation process more efficiently (e.g., more quickly). Additionally, given that highly tenacious individuals invest more energy in whatever activities they undertake than less tenacious individuals (Baum and Locke, 2004), they are likely more willing and able to identify ways to navigate the constraints they encounter in their environment (Bandura, 1997). This is particularly important for entrepreneurs due to the myriad adversities they will inevitably face as they seek to create new ventures (Stoltz, 1997). Highly tenacious entrepreneurs are likely to increase their efforts in order to overcome these challenges, allowing them to create their ventures more quickly than less tenacious entrepreneurs. Last, we argue that highly tenacious entrepreneurs are more likely than less tenacious entrepreneurs to sustain their efforts until the task is completed, even in the face of initial failures. We expect highly tenacious entrepreneurs to respond to the inevitable failures they will encounter by renewing and persisting with their efforts until the emergence phase is completed. Therefore, because they make more achievement-oriented choices in terms of the actions they take, exert more intense effort, and redouble these efforts even in the face of initial failure, tenacious entrepreneurs are likely to create new ventures more quickly than less tenacious entrepreneurs.

\[ H1: \text{Tenacity will be positively related to venture creation speed.} \]

Self-efficacy is “belief in one’s capabilities to organize and execute the courses of action required to produce given attainments” (Bandura, 1997: 3). As a several-decade research tradition in the social cognitive and goal-setting domains has shown (Locke and Latham, 1990), individuals must feel
confident in their ability with respect to a given task in order to take the necessary action to accomplish it. Self-efficacy influences behavior through three indirect pathways: outcome expectations, self-set goals, and the perceptions of the structural characteristics of their environment (Plotnikoff et al., 2008). Research suggests that as self-efficacy with respect to a given course of action increases, individuals will envision more positive outcome expectations. These expectations, in turn, encourage them to initiate the action necessary to obtain these rewards (Bandura, 2012) and set higher goals for that course of action, thus leading them to expend more effort to achieve them as compared to less ambitious goals (Locke and Latham, 1990). Additionally, individuals with higher self-efficacy will likely view their ability to overcome impediments in the task environment with greater optimism, providing them with the confidence necessary to sustain their efforts long enough to overcome any hardships they encounter (Bandura, 2012). In the context of venture creation, this logic suggests that the greater an entrepreneur's self-efficacy, the more positively s/he will view the benefits of business ownership, the more ambitious the goals s/he would set for the venture, and the more likely s/he would be to believe that any barriers to the successful creation of the venture are surmountable. As such, we expect entrepreneurs with high self-efficacy to take more action to start their ventures, expend more effort in undertaking that action, and sustain that effort throughout the start-up process in order to reap the benefits of business ownership as soon as possible. By increasing the direction, intensity, and persistence of effort in these ways, we expect entrepreneurs with high self-efficacy to proceed through the start-up process more quickly than entrepreneurs with low self-efficacy.

H2: Self-efficacy will be positively related to venture creation speed.

Tenacity’s tendency to engender a greater investment of energy into the task at hand, thereby facilitating the ability to overcome constraints, is particularly important when undertaking challenging tasks (Shane et al., 2003). While social and commercial entrepreneurs are both likely to face constraints, we believe that due to the differences in context, the constraints faced by these entrepreneurs are likely to differ in terms of number and magnitude. First, while all markets are characterized by some degree of uncertainty, those targeted by social entrepreneurs tend to be far more chaotic, with more poorly-defined boundaries, more limited or dubious information (Bloom and Dees, 2008), poor institutional quality (Khanna et al., 2005), and less certain demand conditions (Kanter, 1999). Second, although entrepreneurs are likely to make mistakes as they navigate through the emergence phase, because the educational and professional backgrounds of social entrepreneurs are less likely than commercial entrepreneurs to be in business, they tend to lack a rich understanding of how businesses operate (Amin, 2009; Miller and Wesley, 2010), they are less likely to adapt effectively to market signals in response to their inevitable failures along the way. Third, unlike commercial entrepreneurs, who tend to view their ventures as means for earning profits, social entrepreneurs tend to view their ventures as means for addressing a specific social problems. Given the inevitability of changing market conditions, the nature of an opportunity is likely to change over time (Schumpeter, 1934). Given their single-minded approach, social entrepreneurs are likely to experience greater difficulty in completing start-up activities that may increasingly lack relevance as market conditions change and the viability of the opportunities they are pursuing wanes. Whereas we expect tenacious commercial entrepreneurs to adapt to such change by pursuing a more viable opportunity that enables a more efficient use of their limited resources, we expect tenacious social entrepreneurs to persist with their efforts to create that specific venture that manifests their deeply held values, even if that course of action appears to be less viable and less efficient.

H3: The positive relationship between tenacity and venture creation speed will be weaker for social entrepreneurs than for commercial entrepreneurs.
Although we expect that all entrepreneurs with high levels of self-efficacy will act vigorously in order to reap the anticipated rewards of business ownership, at the same time, we believe that the time it takes them to accomplish this will vary based on the context in which the venture is created. First, social sector environments tend to be more complex than traditional commercial markets, due to the additional stakeholder groups (including, but not limited to, local governments, non-profit organizations, non-governmental organizations, community activists) with whom businesses in those environments must engage in order to emerge and survive (Bloom and Dees, 2008; Kanter, 1999; Townsend and Hart, 2008). The presence of these additional stakeholder groups adds a layer of complexity for social entrepreneurs seeking to create new ventures, thereby increasing the number of actions they must undertake as well as the amount of time needed to complete them, as compared to their commercial counterparts. Second, although self-efficacy influences the ambitiousness of the goals individuals set and the intensity of effort they put forth in order to attain them (Katzell and Thompson, 1990), effort does not necessarily equate with performance. While it is likely that all entrepreneurs, due to their inherent (over)confidence (McCarthy et al., 1993), are capable of (and perhaps prone to) setting quite challenging goals, setting goals that are also relevant to a task requires some knowledge and experience in that area. Because, as noted above, social entrepreneurs tend to have less business education and experience than commercial entrepreneurs (Amin 2009; Miller and Wesley, 2010), the relevance of the goals they set for their emerging ventures is likely to be comparatively lower. Third, although self-efficacy is positively related to how optimistically individuals view the task environment and how capable they believe themselves to be in responding to impediments (Bandura, 2012), this relationship is not monotonic and does not necessarily result in purposeful action. According to Pajares and Usher (2008), even individuals who feel quite capable may still fail to act if the constraints in their environment (be they real or perceived) are too high. Because, as noted above, social sector markets are much more chaotic and unpredictable than commercial markets (Bloom and Dees, 2008; Kanter, 1999; Khanna et al., 2005), social entrepreneurs face more and greater obstacles in their environment than their commercial counterparts. We expect that the presence of the additional constraints faced by social entrepreneurs will result in greater hesitance to act, thereby increasing the time it takes them to create their ventures.

H4: The positive relationship between self-efficacy and venture creation speed will be weaker for social entrepreneurs than for commercial entrepreneurs.

Method

We test our hypotheses with the Panel Study of Entrepreneurial Dynamics II (PSED II), a randomized, longitudinal dataset of individuals involved in the process of starting for-profit businesses. We operationalize venture creation speed as the number of months from the time the entrepreneur conceived of the business idea until s/he achieved positive cash flow (Capelleras et al., 2010), controlling for left- and right-censoring in the process (Yang and Aldrich, 2012). Drawing on prior research, we measure tenacity with two items capturing the degree to which entrepreneurs are prepared to sustain goal-directed effort over time even when faced with obstacles (Baum and Locke, 2004) and self-efficacy with three items measuring entrepreneurs’ beliefs that they can start new ventures given their experiences/skills (Frese et al., 2007). A factor analysis of these items reveal two distinct factors, with each item loading on the intended factor, suggesting that the measures used to operationalize tenacity and self-efficacy are distinct from each other. Subsequent reliability analyses show that the items for each scale demonstrate a high level of internal consistency (α ≥ 0.70), suggesting that they are reliable indicators of the focal constructs (Nunnally, 1978). Given our confidence that our measures are valid and reliable, we sum the two tenacity items and the three self-efficacy items in order to yield holistic measures of each construct (Baum and Locke, 2004). Following prior PSED II studies of social entrepreneurs, we measure social entrepreneurs as respondents who want to start ventures primarily
to help others/the community and/or aid in the economy/economic development (Gras and Lumpkin, 2012; Newbert, 2012; Renko, 2013). We control for gender, race, education, age, household income, retirement status, industry experience, and start-up experience.

**Results**

The descriptive statistics, along with a visual inspection of the data, suggest that all variables are normally distributed. Moreover, all correlation coefficients are sufficiently low enough (all are at or below $r = 0.392$) to alleviate any concerns of multicollinearity. Because not all entrepreneurs succeed in creating new businesses, any results regarding the relationship between motivation and venture creation speed may be biased unless we control for this reality. To do so, we use a Heckman sample selection model to address the possibility of selection bias within our sample by simultaneously estimating [1] the likelihood that the entrepreneur will succeed in creating an operational business (selection model) and [2] how our motivational factors contribute to the time it takes to do so (effects model). We weight the data using the weights created by the University of Michigan Institute for Social Research that correct for differences in selection probabilities and differential non-response rates so that the estimated results are representative of and generalizable to the U.S. population (Reynolds and Curtin, 2008). The Heckman procedure requires the presence of at least one different variable in the selection and effects models (Winship and Mare, 1992); thus, we include household income and industry experience in the selection model and retirement status in the effects model. The results of regressions suggest that venture creation speed is negatively related to tenacity (contrary to H1) and positively related to self-efficacy (supportive of H2). They also suggest that the tenacity effect is no different for social and commercial entrepreneurs (unsupportive of H3) and that the positive effect of self-efficacy on venture creation speed is weaker for social entrepreneurs (supportive of H4).

**Discussion and Implications**

Our main effect findings suggest that motivation may be a double-edged sword. On the one hand, we find that tenacity may actually increase the time it takes entrepreneurs to create new ventures. Although contrary to expectations, we suspect that this interesting result may be explained by an escalation of commitment on the part of entrepreneurs (Staw, 1981). It may be that extremely high levels of tenacity result in an unwillingness to alter course even when faced with unfavorable feedback from the market. Indeed, research using the PSED II suggests that the overwhelming majority of nascent entrepreneurs do not alter the markets they intend to target or the offerings with which they intend to serve them (Newbert, 2012). In other words, tenacious entrepreneurs may still be committed to “doing whatever it takes” to ensure that they succeed in creating the venture they set out to create, even though the market conditions may have changed since the genesis of the idea, a common phenomenon that is often coupled with continued, and irrational, investments of resources in them (Ang, 1991; McCarthy et al., 1993). In such cases, tenacious entrepreneurs may find that the venture creation task becomes more difficult given that the now-less attractive opportunity is likely to require more time and effort in order to complete it. Less tenacious entrepreneurs, on the other hand, may be more willing to adapt the business idea when confronted with changing market conditions (e.g., due to less commitment to the original idea), thereby identifying a less challenging and, by extension, less time-consuming path toward venture creation. In light of the possibility that some individuals may be more susceptible to escalation of commitment simply because they are more tenacious, the literature on escalation of commitment could be enriched by future incorporation and integration of a trait-based explanatory perspective, like the one examined in this study.

On the other hand, we find that self-efficacy is positively related to venture creation speed as expected. We suspect this finding is due to self-efficacy’s role as a catalyst for initiating action. High self-efficacy is required in order to efficiently translate the idea for a new business into reality, as it compels
nascent entrepreneurs to both initiate venture-specific action and sustain that effort at a high level over time. In the absence of confidence in their ability to succeed in this difficult task, the emergence phase is likely to be protracted considerably. We believe this finding contributes to the literature on self-efficacy. Debate exists regarding whether overconfidence in the form of unrealistically high levels of self-efficacy has deleterious effects on decision making. Our findings suggest they do not and that “People have a hand in shaping events and the course their lives take” (Bandura, 2012: 11). Nevertheless, we believe future research should explore more aspects of the role of social cognitive theory in the entrepreneurial process; as Bandura (2012: 40) notes, “Comparative tests of theories should include the full complement of variables that constitute social cognitive theory, not just the truncated self-efficacy part of it.” Perceived and actual environmental facilitators and impediments, outcome expectations, and goal systems are all important parts of social cognitive theory that may shed additional light on how motivational factors may influence venture creation speed.

The results for our contingency hypotheses suggest that motivation may not be enough (particularly for social entrepreneurs) where venture creation speed is concerned. In fact, our results show that whereas it takes the average social entrepreneur with a self-efficacy score one standard deviation below the mean 12 months and 12 days to create a new venture, it will take the average social entrepreneur with a self-efficacy score one standard deviation above the mean 12 months and five days to do so. This difference of seven days equates to a roughly 2% increase in venture creation speed. In comparison, the average commercial entrepreneur with a self-efficacy score one standard deviation below the mean will create a new venture in 11 months and 18 days, while the average commercial entrepreneur with a self-efficacy score one standard deviation above the mean will create a new venture in five months and four days. This 194-day difference equates to a roughly 56% increase in venture creation speed. Evidence of this contingency effect is important, given all that has been written over the past decade regarding the perceived differences between social and commercial entrepreneurs with little more than anecdotal evidence in support (et al., 2009). We believe our findings offer strong support for assertions that social entrepreneurs are indeed different from commercial entrepreneurs and merit scholarly investigation (Dacin et al., 2010; Dees, 1998; Light, 2009). More broadly, this finding suggests that motivation (at least in the form of self-efficacy) may not be enough where venture creation speed is concerned. Indeed, it seems that in light of the inherent challenges associated with the social context, nascent entrepreneurs operating in this domain may benefit from additional supports in order to proceed quickly through the emergence phase. For instance, while many government programs provide training to entrepreneurs in general, targeting social entrepreneurs in particular, given their relative lack of skills, could bolster their entrepreneurial capabilities and perhaps put them on par with commercial entrepreneurs. In addition, communities in which social problems tend to exist might benefit social entrepreneurs and themselves by investing in local institutions so as to reduce the challenges associated with conducting business there.

CONTACT: Scott L. Newbert; scott.newbert@villanova.edu; (T) +1 610-519-5440; (F) +1 610-519-6566; Villanova School of Business; Villanova University; 800 Lancaster Avenue; Villanova, Pennsylvania USA 19085