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Entrepreneurial motivation and the performance of the entrepreneurial venture

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Abstract

The aim of this paper is to map entrepreneurs' motives with regards to their decision to become self-employed. Understanding the motives to entrepreneurship is key since entrepreneurship is <<the result of both motivational and cognitive factors>> (Shane et al. 2003). With particular interest on nascent entrepreneurs, Hechavarria et al. (2010) argue that mapping motivation will provide a more detailed understanding of the outcomes of the start-up process. Following a similar approach, I argue that the motivation exerts a significant role on the overall entrepreneurial process and not only for nascent entrepreneurs. Arguably, the motivation to become self-employed influences the entrepreneur's decisions and thereby ultimately impacts the performance of the firm through self-selection mechanisms. Furthermore, the link between the opportunity pursued and the motivation has been highlighted with the distinction between necessity-motivated and opportunity-motivated entrepreneurs (Reynolds et al. 2001). In order to disentangle the effects of motivations on new firm performance, this investigation draws on a subsample of entrepreneurs with similar opportunity costs and abilities (following Gimeno et al. 1997). For entrepreneurs with similar opportunity costs (i.e. homogeneous level of income / wealth prior to the foundation of the startup) and abilities (similar level of education), it can be argued that entrepreneurs subject to different motivations will perform differently. In particular entrepreneurs who indicate as motivation 'to increase my income?' will stay in business for a shorter time when compared to those who choose self-employment in order to 'be my own employer?'. The latter group is likely to be oriented towards non-pecuniary benefits and therefore less sensitive to the financial performance of the firm. Data used to test the hypotheses consist of a survey covering 798 founders of new firms (response rate of 33.2%) between 2001 and 2006. Each respondent provides details 'among others' about motivation, disposition and competences. The survey is then integrated with the Danish labor market database in order to obtain information about gender, age, income, family, parents, spouse/partner and information about the firm, its status (active or not), turnover, employees (where serial entrepreneurs provide details about the more recent firm). To test the forwarded hypotheses on firm survival, the analysis relies on a logit model in which the dependent variable is

survival at the second year and motivation is treated as explanatory, together with proxies for opportunity costs and the control variables at both individual and firm level.

Please contact the author for further information.