A Conceptual Model of Social Entrepreneurial Motivation

Sorin I. Blaga*

Abstract
This paper contributes to the theory of social entrepreneurship (SE) by analysing five generic motivations (extrinsic, intrinsic and complex motivations; employment status; and start-up capital) that credibly influence individuals’ intention to engage in SE. This research uses an exploratory and inductive methodology in analysing the literature across four schools of thought based on the research conceptual model and developed six research propositions for further empirical testing. As a major contribution, this paper suggests for the first time that ‘complex motivation’ may have a significant role in social venturing.

Keywords: social entrepreneurship; motivations.

JEL classification: A14; E02; E03; E61; M14; O31.

1. INTRODUCTION

Social entrepreneurship (SE), along with the private and public sectors (Birch and Whittam, 2008), is on the rise, offering the potential to tackle serious social issues that governments cannot or will not address. What motivates social entrepreneurs to do what they do? Considerable research has been devoted to understanding motivations to pursue entrepreneurship in the commercial sector (Germak and Robinson, 2014), with the pursuit of profit a major, if not dominant, motivator. However, the same cannot be said for those who pursue SE, as the profit goes to the social group that is the focus of the venture. What, then, motivates individuals to pursue SE? The literature offers some suggestions, but there appear to be few systematic studies into identifying a sufficient and succinct set of motivational variables that may explain why an individual is drawn to pursuing SE (Mair and Marti, 2006). The conceptual model and related propositions presented in this paper are intended as a theoretical basis for the empirical testing step of the research question: ‘Social entrepreneurs: Why do they do what they do?’.

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This paper provides the groundwork that may constitute the building blocks for further research on social entrepreneurs’ motivations, especially in developing countries. Existing literature reveals that the main discourses focus on individuals’ attributes and less on their motivations. The proposed conceptual framework in this research addresses the existing gap in the literature by examining the motivation for SE across four schools of thought – economics, sociology, psychology and management – enhancing and widening the theory of motivation in general and particularly the motivation for SE.

2. BROAD FRAMEWORK OF CONCEPTUAL MODEL VARIABLES

A new venture is the outcome of an individual’s intentions to act entrepreneurially. There has been substantial interest in the idea of entrepreneurial intentions (Alain and Linan, 2014), which is determined by a mix of independent variables (Kuratko et al., 2015). Commercial entrepreneurs may be primarily motivated by extrinsic factors involving maximising profit, while the literature suggests that social entrepreneurs may be motivated by intrinsic motivations (Antonioli et al., 2016).

The framework that guides this research integrates five generic motivations that are believed to drive the intentional process to start a new social venture, emerging from the SE literature (Ryan and Deci, 2000; Jayawarna et al., 2013; Alain and Linan, 2014; Antonioli et al., 2016), adding a new set of variables, generically named complex motivations. The literature reveals these variables as they are individually significant, but it is less known how they interact with each other and how this affects the SE process as a whole.

Synthesising the specialised literature, this paper proposes the following broad framework for the research variables and illustrates the connections between the independent and dependent variables of an individual’s intention to act entrepreneurially in the process of creating a new social venture (Figure no. 1).

![Source: Developed for this research](Figure no. 1 – Broad Framework of Variables’ Conceptual Model)

The literature substantiates the proposition that an individual’s intentions for SE play an important role in creating a new social venture (Ozaralli and Rivenburgh, 2016). As presented in Table no. 1, social entrepreneurial intention is the research dependent variable.

Empirical research of Tran and Von Korfflesh (2016) on SE intentions introduced for the first time the social cognitive career theory (SCCT) as a promising explanatory instrument for SE. SCCT investigates the individual’s self-efficacy, expectations of their intentionality and their choice goals, as stated by Liguori et al. (2018). SCCT explains how people develop ‘interests, make choices, and achieve varying levels of success in occupational pursuits’ (Lent et al., 2000, p. 36), such as SE. These assumptions are consistent with past researchers’ views that social entrepreneurial intention affects an
individual’s career choice, and their perceived self-efficacy is related to the outcome of the entrepreneurial process – creation of a new social venture (Liguori et al., 2018).

Thematic and cross-discipline analyses in the literature introduced in the conceptual model five variables (intrinsic, extrinsic and complex motivations; employment status; and start-up capital) that constitute the research independent variables and are believed to be related to SE. These motivations emerge from prior empirical research (Ryan and Deci, 2000; Jayawarna et al., 2013; Alain and Linan, 2014; Antonioli et al., 2016) being analysed on the basis of their most accepted definitions emerging from the literature.

3. METHODOLOGY

To answer our research question, this paper investigates the literature on individuals’ motivations for SE by using an exploratory and inductive analysis of the literature across four schools of thought (economics, sociology, psychology and management). The methodology used in this study is consistent with that used by Ghalwash et al. (2017), aiming at identifying credible propositions that answer the research question. However, this paper aim is to satisfy the need for establishing which motivational factors play the most influential role in SE and creation of a new social venture.

4. TESTING PROPOSITIONS

The five broad motivations for SE identified in this paper are analysed through the viewpoint of four broad schools of entrepreneurial thought: the economic, sociological, psychological and management schools. Each school of thought outlined below identifies the independent variables relevant to social venture creation, and the relationship between the independent and dependent variables and SE intention. A summary of the five SE motivations across four broad schools is presented in Table no. 1.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Economics</th>
<th>Sociology</th>
<th>Psychology</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extrinsic motivations</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrinsic motivations</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Complex motivations</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Employment status</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Start-up capital</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Developed for this research.

The following discussion examines the arguments for each of these motivations identified as independent variables of SE by schools of thought (Table no. 1), formulating propositions that link these motivational variables to social entrepreneurial intention.

4.1 Testing proposition for extrinsic motivation

The economic literature seems to accept Ryan and Deci (2000, p. 60) definition of extrinsic motivation stating that ‘extrinsic motivation is a construct that pertains whenever
an activity is done to attain some separable [material] outcome’. Therefore, an individual’s primary motivation to pursue entrepreneurship in the commercial world is concerned with profit-making (Schumpeter, 2017). Other researchers (Jayawarna et al., 2013; Palamida et al., 2015) have advocated that financial motivation (profits, bonuses and supplementing their income) is an attractive economic function for starting up a new venture, and the literature on SE indicates that extrinsic motivation is a powerful motivation for social entrepreneurs as the financial outcome of their activity is used to sustain various social causes (Germak and Robinson, 2014; Antonioli et al., 2016).

Psychologists are interested in the powerful effects of extrinsic motivations on individuals’ intentionality, and have attempted to explain this through ‘personality traits, competencies, cognitions, behaviors … that impact new venture creation and success’ (Gorgievski and Stephan, 2016, p. 437). Meanwhile, other researchers (Ahmetoglu et al., 2017; Stephan and Drencheva, 2017) aimed to comprehend why some individuals choose to create social ventures and persevere in their mission, even when there is no immediate and significant material reward, by analysing motivations, traits, identities and skills (Gorgievski and Stephan, 2016).

Psychologists have pinpointed the important role played by extrinsic motivation in economic activities, including SE, emphasising that extrinsic motivations or material rewards may undermine the effect of intrinsic motivation—the so-called ‘crowding effect’ (Ryan and Deci, 2000; Cerasoli et al., 2014) -which is the core of self-determination theory (SDT).

The management literature reveals that extrinsic motivation is the base of many management theories used in studies of ‘organisational behaviour’ (Knights and Willmott, 2007); many of them apply to entrepreneurship and are understood as a means of increasing firms’ or individuals’ affluence (Weerawardena and Mort, 2006; Kuratko, 2009) as an expression of extrinsic motivation. Likewise, social entrepreneurs act on economic opportunities – driven by extrinsic motivation – and use strategies and methods characteristic of commercial entrepreneurs to achieve their social objective. However, extrinsic motivation, per se, appears to be less important to SE intention, playing only a supporting function for the social mission, as stated by several researchers (Mair and Marti, 2006; Mair and Noboa, 2006).

The present research suggests that extrinsic motivation is a powerful motivation for commercial and social entrepreneurs, and it is strongly embedded in an individual’s entrepreneurial intention (Mair and Noboa, 2006). What differentiates them is the destination of a firm’s profit, which in the case of the commercial entrepreneurs is used for personal consumption; meanwhile, social entrepreneurs use the venture profit for social deeds. Therefore, extrinsic motivation may be regarded also as a needed motivation for SE.

<table>
<thead>
<tr>
<th>Table no. 2 – Summary of Empirical Studies Linking Extrinsic Motivations to SE Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Studies</strong></td>
</tr>
<tr>
<td>Ryan and Deci (2000); Ruskin and Webster (2011)</td>
</tr>
<tr>
<td>Amit and Muller (1995); Antonioli et al. (2016)</td>
</tr>
<tr>
<td>Jayawarna et al. (2013)</td>
</tr>
<tr>
<td>Carsrud and Brännback (2010)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Ruskin and Webster (2011); Antonioli et al. (2016)</td>
</tr>
</tbody>
</table>

*Source:* Developed for this research.
Literature on extrinsic motivational influences on SE intention (Table no. 2) has been limited, as scholars have adopted inconsistent SE definitions and failed to incorporate various effects. The studies presented below indicate prior research connecting extrinsic motivation as an independent variable to the SE intention, which is the research dependent variable (Antonioli et al., 2016; Paswan et al., 2017).

The above analysis reveals that social entrepreneurs may have to balance a mixture of social and economic goals and place a higher priority on the social outcome, thereby creating social value (Austin et al., 2006; Ruskin and Webster, 2011; Antonioli et al., 2016). Nevertheless, it appears that extrinsic motivations are the main motivational driver of entrepreneurial intention, equally affecting social entrepreneurs. Despite the considerable research work in this area, the influence of extrinsic motivations on SE intentions remains unsettled (Antonioli et al., 2016). These prior judgements argue for empirical testing of the following proposition:

**P1: Extrinsic motivations influence SE intentions**

By empirically testing this proposition, one may establish decisively the role of extrinsic motivation during social venture creation.

**4.2 Testing proposition for intrinsic motivation**

The literature accepts Ryan and Deci (2000, p. 56) definition of intrinsic motivation as the ‘doing of an activity for its inherent satisfactions rather than for some separable [material] consequence’. In light of this definition, intrinsic motivation is understood as being stimulated by affective feelings, such as pleasure, interest, responsibility and justice. The literature on SE indicates that intrinsic motivation is also a powerful motivation for SE (Table no. 3).

The sociological school of thought views an individual’s intrinsic motivation as related to the individual’s satisfaction, linked to social issues that may trigger different motivations to different people. However, at analytical levels, intrinsic motivation becomes an independent variable in social processes such as SE, affecting a specific group of the population (entrepreneurs); the social movements/social entrepreneurs act as change agents, generating satisfaction through their activities (Thoits, 2010). The sociological literature noticed that at the social level, intrinsic motivations are also subject to social norms, affecting the SE process. In this research, intrinsic motivation operationalises the emotional culture of a specific population from a specific geographical area.

Additionally, the sociological school of thought understands social norms and values as the ‘social reality’ that exists independently of individuals and determines specific behaviours. Internalisation of this ‘social reality’ is translated into individuals’ intrinsic motivations without their awareness and becomes part of an individual’s identity that may play a significant role in SE intention, as suggested by past research (Hynes, 2009; Miller et al., 2012).

Social entrepreneurs are driven by a compelling social vision that enables them to change the social fabric and transform social issues into an opportunity to deliver social value (Hynes, 2009; Christopoulos and Vogl, 2015). Social entrepreneurs’ intrinsic motivations bring to society public good or social welfare (e.g., jobs for disadvantaged people, healthcare, and social assistance) to fill unmet social needs (Santos, 2012).

The psychology of intrinsic motivation seems to operate differently from extrinsic motivation by valuing non-material rewards, such as ‘personal satisfaction’ (Ryan and Deci,
The psychological school of thought emphasises that intrinsic motivation is related to individuals’ mindset, in the process of identifying business opportunities. Social entrepreneurs are motivated to exploit opportunities that improve social well-being under potential risk. As the threats increase, individuals’ motivation to act on these risks grows, increasing the need for competence, relatedness and autonomy, as stated by Ryan and Deci (2000), which are the building blocks of STD.

The management school of thought accepts that intrinsic motivation of social entrepreneurs is activated by personal affective feelings that are oriented towards social welfare (Amit and Zott, 2001; Germak and Robinson, 2014). The literature on SE has identified that these entrepreneurs are confronted with similar problems to commercial entrepreneurs during venture creation (Sharir and Lerner, 2006). However, they are differentiated by identifying a social need as a business opportunity and acting upon it (Haugh, 2005), meanwhile utility maximisation holds lower importance, up to the level of creating a sustainable venture (Christopoulos and Vogl, 2015). The following table links intrinsic motivation to SE intention.

<table>
<thead>
<tr>
<th>Studies</th>
<th>Intrinsic Motivations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryan and Deci (2000); Mair and Noboa (2006);</td>
<td>Emotional (happiness, frustration, pleasure, satisfaction,</td>
</tr>
<tr>
<td>Ruskin and Webster (2011)</td>
<td>reputation, prestige)</td>
</tr>
<tr>
<td>Antonioli et al. (2016); Paswan et al. (2017)</td>
<td>Interest, reciprocity, self-determination, need for achievement</td>
</tr>
<tr>
<td>Germak and Robinson (2014)</td>
<td></td>
</tr>
<tr>
<td>Ruskin and Webster (2011); Jordaan (2014);</td>
<td>Commitment to the community (obligation, social justice, belonging)</td>
</tr>
<tr>
<td>Antonioli et al. (2016)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this research.

The above literature emphasises that empirical studies have widely used proxy concepts to evaluate various intrinsic motivations, which are perceived as predictors of SE intention (Antonioli et al., 2016). Each predictor may have a multitude of specific variables, such as a sense of obligation, social justice and belonging to the community (Ruskin and Webster, 2011; Miller et al., 2012); emotions, such as satisfaction, reputation and prestige (Dorado, 2006); and previous entrepreneurial experience and training that support social entrepreneurial intention (Jordaan, 2014). It appears that the literature on SE has been fragmented and a clear conclusion on the influences of intrinsic motivation on SE intentions remains unclear (Ruskin and Webster, 2011; Antonioli et al., 2016). The above analysis led to the following proposition for testing:

**P2: Intrinsic motivations influence SE intentions.**

In the current research, intrinsic motivation has significant practical importance because, individually, the direct effect of non-material rewards on SE intention has not been proved or disproved, nor has its reciprocal effect of extrinsic v intrinsic motivation in the context of SE intention.
4.3 Testing extrinsic and intrinsic motivation influence on SE

To conceptualise the reciprocal effect of intrinsic and extrinsic motivations, Ryan and Deci (2000) developed SDT and established a behavioural continuum, ranging from non-self-determination to self-determination. In light of SDT, this research suggests that individuals’ entrepreneurial intentionality is determined by self-efficacy, which is understood as a person’s belief that he or she is capable of performing the entrepreneurial task. This belief influences the development of entrepreneurial intentions. The SDT model of motivations suggests that providing extrinsic incentives (material rewards) for accomplishing a task may undermine intrinsic motivation for performing that behaviour, as expressed in crowding theory. This research suggests that crowding theory may apply also to the SE arena, which has not been tested before. The literature review summarised in Table no. 4 highlights prior research connecting the independent variables and their reciprocal relationship and how this variable is operationalised.

Table no. 4 – Summary of Empirical Studies Linking Extrinsic and Intrinsic Motivations to SE Intention

<table>
<thead>
<tr>
<th>Studies</th>
<th>Extrinsic v. Intrinsic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryan and Deci (2000); Carsrud and Brännback (2010)</td>
<td>Both apply to SE</td>
</tr>
<tr>
<td>Ryan and Deci (2000); Frey and Jegen (2001); Amit and Muller (1995); Antonioli et al. (2016); Hallam et al. (2016)</td>
<td>Crowding effect</td>
</tr>
<tr>
<td>Mair and Marti (2006); Haugh (2005); Ruskin et al. (2016)</td>
<td>Complementary; simultaneity effect</td>
</tr>
<tr>
<td>Dysvik and Kuvaas (2011); Boluk and Mottiari (2014)</td>
<td>Moderating effect</td>
</tr>
</tbody>
</table>

Source: Developed for this research.

The above literature (Table no. 4) presents evidence that connects extrinsic and intrinsic motivations with the process of social venture creation. Several scholars assert that extrinsic and intrinsic motivations may have a crowding effect in response to various incentives, as expressed in SDT. The corporate world relies heavily on financial incentives (extrinsic motivation) to control executives’ behaviour. Existing evidence shows that financial incentives can negatively and significantly influence CEOs’ pro-social performance or intrinsic motivation (Antonioli et al., 2016; Hallam et al., 2016), as stated in crowding theory. Therefore, testing the extrinsic motivation relationship with intrinsic motivation during the process of social venture creation is justified.

The above-mentioned studies have some theoretical limitations. For example, Frey and Jegen (2001) definition states that a clear inverse relationship exists between extrinsic and intrinsic motivation, and excludes any possible combination of the two forms. Moreover, they assumed that extrinsic and intrinsic motivations have equal importance when analysing their reciprocal effects, which is not always the case. When using only one motivational factor (such as money), the relationship between intrinsic and extrinsic motivation may be correct; however, in most cases, individuals are motivated by a diverse set of reasons to behave in a particular way, which is not covered by crowding theory.

Some other scholars (Table no. 4) acknowledged that the two types of motivation may be complementary and reinforce each other. For example, in the case of academics engaged with industry for research-related activities, material rewards are not as important as an incentive, even if they are a part of the activity (Antonioli et al., 2016). Some researchers have stated that social entrepreneurs may simultaneously experience intrinsic and extrinsic
motivations. For example, a kindergarten teacher who is unable to secure a job in his/her hometown might open a kindergarten for migrant children in the town that provides the teacher with a job and has a well-received social outcome (Ruskin and Webster, 2011). It has been also argued that intrinsic motivation moderates the relationship between external rewards – or extrinsic motivation – and intentional behaviour (Dysvik and Kuvaas, 2011). Social entrepreneurs aim to achieve an economic benefit ‘while simultaneously improving local and global social and environmental conditions’ (Boluk and Mottiar, 2014, p. 5).

In summary, a review of the above research (Table no. 4) on the effects of intrinsic and extrinsic motivations on individuals’ intentions towards SE is ambiguous (Ruskin and Webster, 2011; Antonioli et al., 2016; Hallam et al., 2016). The present research suggests that there is certainly an interaction between extrinsic and intrinsic motivations, which will be interesting to be operationalised and tested in further empirical study, assessing if the mix increases SE intention. These limitations led to the following proposition:

**P3: Extrinsic and intrinsic motivations interact during social venture creation.**

Literature has revealed that a distinction has been made between extrinsic and intrinsic motivation (Ryan and Deci (2000); Cerasoli et al., 2014). Logically extending these opinions, the current research believes that the critical analysis of social entrepreneurs’ motivation should go beyond this dichotomy of extrinsic and intrinsic motivation to include in the model various motivations that reflect its complexity and may play an important role in individual intention during social venture creation.

### 4.4 Testing proposition for complex motivation

Literature on entrepreneurs’ complex motivation is unclear, as only a few researchers have mentioned that there may be some other motivations behind Ryan and Deci (2000) and Cerasoli et al. (2014) classification of intrinsic and extrinsic motivations that affect social entrepreneurial intention. Austin et al. (2006, p. 1) questioned whether ‘social and commercial entrepreneurship [are the] same, different, or both’, and opened a discussion on this topic by concluding that they have many commonalities. It seems that this view has gained some weight in management discourses, with other researchers sharing similar views, although without specifically naming or defining them (Bacq et al., 2011; Kroeger and Weber, 2014; Sassmannshausen and Volkmann, 2018). The current research fills this gap in the literature by closely analysing the complex motivation role in social entrepreneurial intention during new venture creation. Complex motivations are motivations that do not fall under the extrinsic or intrinsic motivation definitions of Ryan and Deci (2000) but are believed to affect the entrepreneurial process and do not carry any material interest or emotional load.

Sociological research on entrepreneurship and particularly on SE embeds certain aspects, mostly of a contextual nature, in their analysis (Storey and Frankish, 2016). Specifically, Jayawarna et al. (2013) motivational factors include elements such as flexibility, role model, being your own boss and independence, outside of Ryan and Deci (2000) and Cerasoli et al. (2014) classification, that are assumed to affect individual entrepreneurial decisions. These particular views were never empirically tested, and this research suggests that there is a gap in the literature that needs to be satisfied by revealing new sociological aspects of social entrepreneurs’ motivations.
As early as 1997, Vallerand’s research advanced the psychology of motivation by acknowledging the existence of non-intrinsic, yet internalised, motivations that can be associated with complex motivations. The psychological literature reveals that the complex motivation of achievement refers more specifically to an individual’s ‘performance on tasks’ (Wigfield and Cambra, 2010). Motivation in these forms is most directly observable as the level of sustained energy involved over time in individuals’ entrepreneurial behaviour.

Additionally, Stephan et al. (2015) stated that autonomy and better work are the most common and important motivations reported by all entrepreneurs as driving the intention to create a new venture. These motivations do not fall under the previous motivation dichotomy of extrinsic and intrinsic motivation, yet seem to play a significant role in the entrepreneurial process. This approach is useful to SE research because it explains individuals’ entrepreneurial behaviour, which has previously been ignored.

The management literature’s view on social entrepreneurs’ complex motivations is vague as only a few researchers have mentioned that there may be other motivations that affect SE intention. Austin et al. (2006) in his rhetorical question on entrepreneurship opened a discussion on this topic, concluding only that they have many commonalities. It appears that other researchers share these views, without specifically naming them (Haugh, 2005; Bacq et al., 2011; Kroeger and Weber, 2014).

Complex motivation falls outside of Ryan and Deci (2000) and Cerasoli et al. (2014) classification of motivations (extrinsic and intrinsic), and evidence from the literature across three schools of thought suggests that there may be other factors that influence the entrepreneurial process. Therefore, complex motivation can be regarded as a motivation for SE intention.

The literature on complex motivation is summarised in Table no. 5, indicating prior research connecting complex motivations as an independent variable to entrepreneurial intention – the research dependent variable – and to the outcome of the process, the creation of a new social venture. The following table links complex motivation to SE intention.

Table no. 5 – Summary of Empirical Studies Linking Complex Motivation to SE Intention

<table>
<thead>
<tr>
<th>Studies</th>
<th>Complex Motivations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gorgievski et al. (2011)</td>
<td>Business-related motivations</td>
</tr>
<tr>
<td>Ruskin and Webster (2011); Jayawarna et al. (2013)</td>
<td>Achievement, independence and role model</td>
</tr>
<tr>
<td>Austin et al. (2006)</td>
<td>Contextual factors</td>
</tr>
<tr>
<td>Boluk and Mottiar (2014); Germak and Robinson (2014)</td>
<td>Acknowledge existence of complex motivations</td>
</tr>
</tbody>
</table>

Source: Developed for this research.

Table no. 5 identifies the existence of complex motivation, covering a range of factors (Gorgievski et al., 2011), beginning with the two variables of ‘personal and business-related motivations’ and concluding with factors that embed achievement, flexibility/independence and role model (Jayawarna et al., 2013). Austin et al. (2006) observed that contextual factors for commercial and social entrepreneurs may be ‘analogous in many ways’, but their effects on social entrepreneurs differ because of the firm’s social mission, which may influence entrepreneurial behaviour (Table no. 5). Evaluation of these variables stopped short of examining their relationship with entrepreneurial intention and subsequently did not address the role of these complex motivational factors in the entrepreneurial process in
general and in SE in particular. Based on this view, the following testing proposition is suggested:

**P4: Complex motivations influence SE intentions.**
Addressing this demand will enhance our understanding of the SE process.

### 4.5 Testing proposition for employment status

Employment status is defined as an individual’s occupation as a wage-earning or self-employed individual. In the economic theory of entrepreneurship, the relationships between entrepreneurship, employment status and start-up capital have usually been covered jointly, as many aspects are reciprocally influenced during a venture creation. Literature on employment status suggests that the topic is unresolved and an important consideration cannot be made, given existing limited empirical information. The present study proposes to examine closer some of the key aspects of employment status, such as selecting self-employment in the form of a social entrepreneur or a wage-earner option. The literature suggests that employment status could be regarded as a motivation for SE.

The theory of income choice covers an individual’s decision to create his/her firm on the basis of the need to provide for themselves and/or their family (Evans and Leighton, 1989; Blanchflower and Meyer, 1994). This theory states that ‘increased unemployment will lead to an increase in the start-up of new ventures’ (Douglas and Shepherd, 2002, p. 9). The entrepreneurial theory suggests that individuals may be pushed into entrepreneurship because of unemployment; however, there can also be a pull effect as the economy thrives. In other words, Parker (2009) suggested that unemployment triggers a lack of financial resources and subsequently is a factor that stimulates ‘commercial entrepreneurship’.

Employment status seems to influence individuals’ perceptions of personal efficacy and locus of control and offers individuals psychological well-being. The negative psychological results of unemployment are well established in the literature, affecting an individual’s motivation, personality and cognitive ability. However, there is also a need to better understand the psychological mechanism of unemployment, which may drive individuals to become proactive and engage in SE.

The management school of thought considers employment status a contextual factor that may have a significant role in social venture creation and sustainable development (Nash, 2016). The predominant view of SE as related to self-employment and an occupational choice is presented as an alternative to unemployment or wage choice, based on economic, sociological and psychological variables (Carter et al., 2003; Kolvereid, 2016). The literature reveals an empirical relationship between SE and the employment/unemployment rate (Carter et al., 2003; Taylor et al., 2014; Gawel, 2010). Thus far, the influence of employment status on venture creation remains unsettled. Unemployment generates limited financial resources and subsequently limits any entrepreneurial activity. If an unemployed individual engages in entrepreneurial activity, this activity will have an exclusive economic orientation due to his/her need to make a living out of it. Meanwhile, if an individual is employed and decides to use his/her savings to create a venture, it will be easier to gain access to finance and will not affect personal surviving abilities. Later, a decision can be made on which option is better: wage earner, self-employed, or both. In this last case of an employed individual, the chance to engage in
social venturing increases. Evidence from the literature, across three schools of thought, indicates that employment status defined as an individual’s intention to enter an occupation as a self-employed individual could be considered a motivational factor for SE.

The literature review summarised in Table no. 6 highlights the prior research connecting employment status (as the independent variable) to the entrepreneurial intention (as the dependent variable) and creation of a new social venture (as a possible outcome of the process).

**Table no. 6 – Summary of Empirical Studies Linking Employment Status to SE Intention**

<table>
<thead>
<tr>
<th>Studies</th>
<th>Employment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evans and Leighton (1989); Blanchflower and Meyer (1994); Parker (2009); Gawel (2010)</td>
<td>Increase self-employment</td>
</tr>
<tr>
<td>Evans and Leighton (1989); Nash (2016)</td>
<td>Increase entrepreneurial activities</td>
</tr>
<tr>
<td>Yamawaki (1990)</td>
<td>Reduce entrepreneurial activity</td>
</tr>
<tr>
<td>Amit and Muller (1995); Antonioli et al. (2016)</td>
<td>Push and pull (necessity) entrepreneurs</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*

The literature has revealed that empirical evidence connecting employment/unemployment to (social) entrepreneurial activity is ambiguous (Kolvereid, 2016). Some researchers consider that high unemployment is a cause of start-up activities (Evans and Leighton, 1989), while others have found that unemployment reduces the amount of entrepreneurial activity (Yamawaki, 1990). Other researchers have claimed that there is a positive relationship between unemployment and business creation (Faria et al., 2009). Overall, the above discussion led to the following proposition:

**P5: Employment status influences SE intentions.**

Addressing this research proposition may enhance our understanding of why some individuals choose to become self-employed while others choose wage employment.

### 4.6 Testing proposition for start-up capital

Start-up capital represents the cash that is required to start a new business and may originate from personal sources or loans. Existence of or access to adequate start-up capital has been identified as an important deterrent to the creation, development and growth of a new venture (Evans and Leighton, 1989). It appears that lenders offer the largest loans with the longest terms to those individuals who have a start-up capital, which is an important factor enabling the entrepreneurs to overcome financing constraints (Cunneen and Mankelow, 2010). Although a loan may be considered a reasonable option, prospective entrepreneurs are reticent to use it because of fear of failing.

A few economic theories link the existence of start-up capital, a firm’s growth, labour and entrepreneurship. The resource-based theory of competitive advantage formulated by Grant (1991) and the economic theories of capital (Cuevas, 1994) have emphasised the increasingly important role of finance to support entrepreneurial initiatives (Cunneen and Mankelow, 2010). Resource-based theory states that a firm’s competitive advantage emerges because of securing human and material resources, knowledge and financial capital. These factors are known by the generic term of ‘business capital’ (Gartner et al., 2012; Palamida et al., 2015).
The economic school’s view on financing any new venture recognises that an entrepreneur needs to secure sufficient initial capital to enable the newly emerging firm to survive (Kolvereid, 2016). Several scholars have suggested that an individual’s ability to finance a venture is an essential factor in the entrepreneurial process (Hurst and Lusardi, 2004; Gartner et al., 2012). The literature suggests that there may be a relationship between potential entrepreneurs’ initial wealth, or the existence of start-up capital, and their subsequent business entry (Hvide and Møen, 2010; Geroski et al., 2010).

In addition, the literature has provided evidence that the existence of start-up capital eliminates significant psychological and financial barriers to becoming an entrepreneur (Dunn and Holtz-Eakin, 2000), emphasising that a complex psychological relationship exists between an individual’s entrepreneurial intentions and his/her economic (financial) situation, as stated by Ranyard and Ferreira (2017), who linked economics and psychology with wellbeing. The current research states that the existence of financial resources eliminates the fear of failing, and increases the likelihood of an individual becoming a social entrepreneur as making a profit has lost its significance, increasing the importance of social value creation. Largely, the management school of thought has adopted the view that the existence of start-up capital increases the entrepreneurial potential and plays a significant role in any new venture creation (Krugman et al., 2012). Other researchers have provided evidence that the existence of start-up capital eliminates significant barriers to becoming a social entrepreneur (Dunn and Holtz-Eakin, 2000).

Literature on SE has also posited organisational funding as a central issue of firm survival, unveiling prior research connecting the existence of start-up capital as the independent variable to social entrepreneurial intention as the dependent variable. The theoretical support of resource-based theory (Grant, 1991) and the economic theories of capital (Cuevas, 1994) emphasises the important role of finance that supports SE initiatives (Cunneen and Mankelow, 2010). These factors are known also as ‘business capital’ (Gartner et al., 2012). The following table links the existence of start-up capital to SE intention.

<table>
<thead>
<tr>
<th>Studies</th>
<th>Start-up Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evans and Leighton (1989); Gentry and Hubbard (2000); Hurst and Lusardi (2004)</td>
<td>Opposite relationship</td>
</tr>
<tr>
<td>Geroski et al. (2010); Krugman et al. (2012)</td>
<td>Valuable, rare, inimitable and non-substitutable A significant role in new venture creation</td>
</tr>
<tr>
<td>Cunneen and Mankelow (2010)</td>
<td>Competitive parity, competitive advantage</td>
</tr>
<tr>
<td>Kuratko (2009); Kolvereid (2016)</td>
<td>Venture’s growth and success, common sense, survival</td>
</tr>
<tr>
<td>Gentry and Hubbard (2000); Hurst and Lusardi (2004); Gartner et al. (2012); Ranyard and Ferreira (2017)</td>
<td>An essential factor for entrepreneurial entry and following processes</td>
</tr>
</tbody>
</table>

Source: Developed for this research

The literature (Table no. 7) suggests that an individual’s ability to finance a venture is an essential factor in the entrepreneurial process (Gartner et al., 2012). The present study highlights the existence of an interaction between start-up capital and SE intention formation.

A useful taxonomy of entrepreneurs, based on the size of individuals’ start-up capital and wealth (Evans and Jovanovic, 1989), divides them into ‘constrained’ and
‘unconstrained’ entrepreneurs. It has been argued that at the top of wealthy individuals’ financial risks, the fear of failing is perceived differently, and this changes their attitude towards SE (Ranyard and Ferreira, 2017). This judgement suggests that wealthy individuals, with a higher tolerance for risk and less concern for profit, are more likely to engage in socially oriented entrepreneurial activities, if all else is equal.

However, significant questions remain unanswered about how the existence of start-up capital influences the creation of a new social venture, especially when it is analysed in conjunction with all the above variables. This led to the following proposition:

**P6: Start-up capital influences SE intentions.**

This study argues that many forms of motivation influence an individual’s social entrepreneurial behaviour, and has developed a series of testing propositions that consider the definitions of SE expressed by Dees et al. (2002), Austin et al. (2006) and the OECD (2003) the intrinsic and extrinsic motivations as defined by Ryan and Deci (2000), Frey and Jegen (2001) and Jayawarna et al. (2013) generic motivations for entrepreneurship. Based on the above definitions, the motivations for SE were identified and used as building blocks for the following six testing propositions.

<table>
<thead>
<tr>
<th>Table no. 8 – Testing Propositions for SE Motivations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1</strong> Ext <strong>trinsic motivations influence SE intentions.</strong></td>
</tr>
<tr>
<td><strong>P2</strong> In <strong>trinsic motivations influence SE intentions.</strong></td>
</tr>
<tr>
<td><strong>P3</strong> There is an interaction between the extrinsic and intrinsic motivations during social venture creation.</td>
</tr>
<tr>
<td><strong>P4</strong> Complex <strong>motivations influence SE intentions.</strong></td>
</tr>
<tr>
<td><strong>P5</strong> Employment status influences SE intentions.</td>
</tr>
<tr>
<td><strong>P6</strong> Start-up capital influences SE intentions.</td>
</tr>
</tbody>
</table>

*Sources: Created for this study.*

This study suggests that these propositions should be empirically tested to enhance our understanding of the SE process.

5. **CONCEPTUAL MODEL OF SOCIAL ENTREPRENEURIAL MOTIVATION**

The logical relationship of these six independent variables (motivations) with the dependent variable (SE intention) is set into a theoretical model, as presented in Figure no. 2. The model is significant and comprehensive in its application as it identifies promising areas of SE motivation research.

By testing these propositions, further research will provide an answer to the question of which motivations affect the SE process, and how they do this, enhancing the SE theory.
The overall aim of this paper was to generate a contribution to the SE theory by analysing individuals’ motivations for SE. To the best of the researchers’ knowledge, this research approach breaks new ground in SE theory as previous studies have not considered the complex motivational factors’ roles in the SE process. Further, this theoretical approach to SE contributes to the literature by bringing together the economic, sociological, psychological and management schools of thought, as postulated by Short et al. (2009); responds to Zahra et al. (2009) call for an in-depth analysis of entrepreneurial motivations, and introduces new aspects of social entrepreneurs’ motivations.

6. CONCLUSION

This paper explored entrepreneurial motivation and revealed several gaps in the SE literature, which led to the development of the research question and the emergent six research propositions. The paper identified five independent variables (extrinsic, intrinsic, and complex motivations; employment status; and start-up capital) that credibly play a significant role in SE intention

In conclusion, extrinsic motivation is imperiously necessary for both commercial and social entrepreneurs. The latter may be also intrinsically motivated to help their community, even when there is no material reward for doing so. For the first time, several other motivations that appear to play a role in SE, classified as “complex motivations”, were proposed to be tested in the SE process. Also, a lack of employment may influence individuals to act differently as a direct response to extrinsic motivations, being considered a ‘pull’ or ‘push’ factor. Further, once entrepreneurs have achieved personal financial security, they may be more intrinsically motivated to act altruistically and engage in SE. The existence of start-up capital eliminates the fear of failing and increases the chance of SE to eventuate. For the first time, this paper acknowledges that complex motivation may play an important role in the motivation for SE, bringing SE theory to a whole new level. Research contributions to the Body of Knowledge is as follows:

*There are 27 Organisation theories

Therefore, this research suggests that these propositions should be empirically tested and their validity confirmed or rejected.
References


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