

Collaborative Entrepreneurs: Recasting the Entrepreneurial Debate

Rebecca Harding

Based on personal experience and a survey of entrepreneurs across 13 countries, this article argues that money is not the only motivator for many entrepreneurs when they set up their business. Nearly 50% of the entrepreneurs in the survey said that making a difference had been a primary motivator in setting up their business and half of these said it was their primary motivator. In other words, nearly a fifth of the world's entrepreneurial population has social rather than profit objectives when they establish their businesses. The research also found that the businesses that these entrepreneurs set up create two jobs for every one that a mainstream business creates and their levels of profitability and growth are higher. The article concludes that it is possible to do well by doing good and that policy should therefore reflect the diversity of motivations when offering support to potential entrepreneurs.

Setting up a business is at the best of times difficult. It is worse when you make the leap from an academic/public policy role into being a full-blown entrepreneur with a need to make money in order to pay people. Yet this is exactly what I did when I founded Delta Economics. Coming from a highly academic background where "business" was a dirty word, I found it hard to persuade people that I hadn't "gone over to the other side", that I was still motivated by the ideas, the desire to make economics useful and to make a difference. That money, profit even, had become a driver seemed to bother people despite my well-known and long-held views that it is not profit that matters so much as what you do with that profit.

Why is it so hard?

Because there is an obsession with entrepreneurs in the UK. These are the people that are represented on Dragon's Den and are fired on The Apprentice. They are predatory, focused on money and power, become millionaires overnight and take their profits out of the business to buy a sailing yacht and a mansion in Surrey.

I caricature deliberately of course, but the focus on these "lone ranger" entrepreneurs has long been a driver of policy. The mantra runs, make money by being an entrepreneur and that makes you better off and the economy better off. Simple.

The problem of course is that it is not simple. For many people, this type of focus takes them away from the things that they believe in and the people and communities where they are based and may actually be a deterrent to individuals who want to do something more than just make money. I was just like this: I had a complex set of motivations, and making lots of money was less important than sustainability, following a dream, helping others to fulfil their dreams and doing something that I felt could potentially provide benefits, if not for the world, then for the way in which economics as a discipline was used in society and business.

The survey I designed to look at these motivations and how they drive the entrepreneurs of the UK, Germany, France, Italy, Spain, the Netherlands, Belgium, India, Russia, China, Brazil and the US was the result of wanting to know if I was the only person that had this struggle. Delta Economics surveyed 2,500 entrepreneurs from 2008-2012, initially in the UK and then in the other countries as well. To be clear, these were "ordinary" entrepreneurs — people who had set up businesses that were older than two years and younger than ten years and that had a turnover after two years of £250,000 or equivalent. We were not trying to find socially motivated entrepreneurs, which makes the results all the more surprising.

Nearly a half of the world's entrepreneurs are motivated, amongst other things, by the desire to make a difference and only 55% are motivated by the desire to make lots of money. Entrepreneurs are predominantly motivated by the desire to follow a dream (78%), the desire to have autonomy over time (68%) and the desire to pursue a market opportunity (66%). Of

those who said that they wanted to make a difference, nearly half again said it was their primary motivation.

In other words, over a fifth of the entrepreneurial population in the sample across these countries were motivated primarily by the desire to make a difference — genuinely wanting to create value ahead of creating wealth. To check that this was not just another angle on Corporate Social Responsibility, we asked what their objectives were. For most, the goal was either job creation (45%) or social impact (40%). At less than 10%, environmental entrepreneurs were a surprisingly small proportion of the total.

What was really interesting about the data was the effects on business performance. Irrespective of country, the “collaborative” or “value driven” entrepreneurs were more innovative and performed better on intangible value creation than their “mainstream” counterparts. They had better employment outcomes, creating 2 jobs for every one that a mainstream entrepreneur created and in the developed world had better tangible value creation outcomes (for example, profitability, value of the business and growth prospects).

And the killer fact: when we looked at how the motivations affect profitability and growth prospects, we found that those entrepreneurs motivated by softer values (making a difference, following a dream and pursuing an opportunity) had higher profitability and actual profit growth than those entrepreneurs who focused entirely on making lots of money. This is actually not as surprising as it sounds. If you are motivated by more complex goals, you need to manage that complexity properly and it probably means your strategies are more carefully calibrated to ensure that you achieve those goals.

But what the research shows beyond reasonable doubt is that within the mainstream entrepreneurial population, there is a lot of hidden social enterprise. These companies are for profit, but reinvest it back into the business to ensure that the motivations and goals that were set at the outset are achieved. The wake-up call to policy is therefore evident as well. If we broaden our conception of entrepreneurs and entrepreneurship to give it a focus on the entrepreneur as a change agent rather than as a money maker, then it provides a viable route for more people to realise their dreams.

More than this, change in the world is endemic and even the biggest and most red-blooded of the world’s investment community is beginning to realise that we need a more collaborative approach to creating value. As John Studzinski, the head of Blackstone Advisory Partners recently argued in the Guardian:

Business is a constructive enterprise that aims to be socially useful. Making a profit is not an end in itself: job creation, client satisfaction, product excellence are just as fundamental.

Maybe if policy can be refocused towards entrepreneurs as change agents rather than wealth creators, we may be able to realise this full potential.

The Author

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