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Wirtschaft
überregional**From self-interest to the social enterprise: Study reveals motives driving entrepreneurs**

Not all entrepreneurs who found social enterprises are driven by idealism. Some of them see societal crises as an opportunity to realize their ambition to set up a company of their own. This was one conclusion of a German-US study of social enterprises established in 2015 in response to the plight of refugees. Because the founders' motivations also impact the strategy of prosocial ventures, the insights gained in the study can help to improve efforts to support start-ups.

Social enterprises offer products and services intended to have a lasting impact on social problems. They seek to serve the common good and reinvest any financial returns. Research has confirmed the widespread belief that they tend to be launched by people with a strong sense of empathy. But researchers have recently questioned whether a prosocial outlook provides the sole explanation for why social enterprises are founded.

To explore this question, a team of researchers at the Technical University of Munich (TUM) and the University of Notre Dame spent eight months studying 13 social enterprises established in the Munich area in 2015 after the arrival of thousands of refugees. The companies arranged private housing, trained refugees for certain jobs, prepared them for appointments with the authorities, set up internet connections in accommodations, operated a bicycle repair shop and organized the distribution of donations, among other activities. The research team conducted interviews with the founders and with staff, volunteers and refugees, watched the start-ups at work, and analyzed company materials such as presentations and reports.

Professional independence as a goal

The analysis shows that there were two types of founders, distinguished by their motivation. One group was driven by the desire to help refugees with their most urgent needs and believed that their start-up was the best means of achieving this goal. The other group also felt empathy for the refugees and wanted to make a meaningful contribution. However, their primary motivation for starting a company was self-interest. They saw the situation as an opportunity to fulfil their desire to set up their own company. Being self-employed, executing a successful project, gaining entrepreneurial experience – the founders were driven by these goals.

“The self-interest behind the creation of a start-up during this crisis should not be confused with cynicism,” says study author Dr. Alexandra Mittermaier of the Chair of Entrepreneurship at TUM. “All of the company founders wanted to help solve social problems. On another level, we should look at the personal motivating factors behind the actual decision to start a company.”

Different strategies

The two types of founders not only had different motives. These underlying reasons also resulted in contrasting approaches to setting up and structuring their companies.

The idealistic entrepreneurs tried to shape their activities to provide maximum support as quickly as possible. Some start-ups were established within days, in one case by people who had just met for the first time. Teams rapidly developed a product or service and then decided to start a company on the spur of the moment.

To help as many refugees as possible, these founders pushed hard to scale up their activities, starting with the recruitment of many volunteers and extensive fundraising. To coordinate the growing number of staff, they had to act quickly to put a permanent organizational structure in place and standardize processes. In addition, they began at an early stage to further develop and expand their products and services in order to provide as much support as possible.

Basis for long-term success

The founders primarily motivated by self-interest, by contrast, focused on laying the groundwork for long-term business success. In some cases they spent months analyzing product ideas and business models as well as the strengths and weaknesses of their teams. They obtained feedback, discarded plans and developed new concepts to address gaps in the market.

In the founding phase the teams were limited to a small core of people with entrepreneurial skills. When employees came on board, the founders prioritized flexible organizational structures that could be adapted easily if needed. They also started with small numbers when launching products. This enabled them to learn from the response and then improve and individualize their offerings.

“Exploiting substantial potential”

“The study shows that social enterprises and their founding teams are more diverse than widely believed,” says Prof. Holger Patzelt, who holds the Chair of Entrepreneurship at TUM. “Too often, those providing entrepreneurship training, advice and support operate under the assumption of purely idealistic motives. By paying more attention to the needs of founders who combine self-interest with social commitment, they could help to leverage the substantial potential of entrepreneurial approaches to have an effective and lasting impact on social problems. The results of the study could also help the founders themselves to find their own way.”

More information:

In a second study with some of the same start-ups, the research team investigated how the social enterprises have coped with changes in the public mood following several violent crimes committed by refugees. They identified several successful strategies in such situations for maintaining the external resources that social enterprises have to rely on much more than other companies, such as volunteer support and donations. For example, some companies worked to boost the identification of volunteers with the organization by involving them more in decisions.

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