The entrepreneur’s motivation

Show me the money? Entrepreneurs don’t always look at financial rewards as the best thing in being their own bosses.

In the 1990s, it was Bill Gates. In the 2000s, it was the late Steve Jobs and the Google boys, Larry Page and Sergey Brin. Here in the 2010s, it’s Facebook founder Mark Zuckerberg. These men not only produced revolutionary technology, they also changed the way people worked and interacted, and became cultural phenomena. Most importantly, they became fabulously rich: on Forbes’ latest billionaires list, Gates was No. 2 (US$61 billion); Page and Brin tied at No. 24 (US$18.7 billion each); Zuckerberg was No. 35 (US$17.5 billion), while the estate of Jobs was worth some US$9 billion, good for No. 100.
These ultra-successful businessmen are often held up as examples of the archetypal entrepreneur: huge appetite and tolerance for risk, with corresponding monetary payoff to match. However, that has always been an assumption, and academics have not been able to prove so or otherwise.

INSEAD Assistant Professor of Entrepreneurship, Hongwei Xu, undertook a study of over 60,000 individuals at Stanford University, and found it to be otherwise.

**Not just the money**

The study, which was done in partnership with Martin Reuf at Princeton University, looked at two groups of people: those who have just started their own businesses vis-à-vis the general population. To gauge their risk tolerance, these two groups were given three options for venture investments: “a profit of US$5 million with a 20 percent chance of success” (option 1); “a profit of US$2 million with a 50 percent chance of success” (option 2); and “a profit of US$1.25 million with an 80 percent chance of success” (option 3).

General perception of the risk-seeking, nothing-ventured-nothing-gained entrepreneur would dictate that most business owners would plump for option 1. But the study proved otherwise. More nascent entrepreneurs opted for option 3 – a higher chance of profit, but less of it – than the general population, while a higher proportion of the general population actually opted for option 1 instead of the business owners.

So if money alone isn’t enough to make someone start their own business, what would? “Creating a business is very risky, it’s very uncertain,” Xu told INSEAD Knowledge. “Non-pecuniary motivations are more important than monetary motivations for people to start a new business. One is autonomy: People want to be their own boss. The other is identity fulfillment, which is more about people having a vision about a product or a service. But their employers do not give them the freedom to develop within the company structure. That is a key driver.”

**Why start a business?**

To test that assertion, this writer spoke to a few entrepreneurs. Former music executive Austin Ng quit his job to become a photographer: “I cannot deny that autonomy and identity fulfillment is a huge part when it comes to being self-employed. Neither am I saying that making more money isn’t nice, but getting to do something that you love and making money out of it is simply an extremely liberating thing to do.”

“As for entrepreneurs being less risk-seeking than society make them out to be, it took a huge leap of faith for me to make the transition from employee to being self-employed; to me that’s a high risk move,” he adds. “Therefore I would think that entrepreneurs are bigger risk takers but with an ambition.”

Former public relations manager Daniel Goh quit to start The Good Beer Company, which operates out of a stall at Chinatown Complex in Singapore. “I definitely agree with the first posit about autonomy and identity fulfillment,” he says. “It’s about setting and going for priorities in life instead of having them set for you. The difference between an entrepreneur and a non-entrepreneur is, in my opinion, having gone through the entire consideration path of considering - and accepting - the risks that entrepreneurship brings.”

**Tough ride ahead**

It must be noted that neither Ng nor Goh are necessity entrepreneurs i.e. forced to start a business to make ends meet. It is here that Xu advises would-be entrepreneurs: “If you want to make money, don’t create a company because you won’t go through the process; it’s very painful and uncertain with lots of ups and downs like an emotional roller coaster.”

“If you have an MBA, it is very likely that when you face difficulties, you will stop and get a corporate job instead - be a consultant, leverage your network. Creating a company only works if there is a passion - such as pursuing the vision for a product or service to change the world, to change people’s lives. Only then will you go through the (difficult) process and survive the downtime. Otherwise you will stop because you will see the difficulty before you see the money,” he warns.

For people such as Austin Ng and Daniel Goh, they saw the difficulty, but they also saw the non-financial rewards that came with being one’s own boss. They might not have the vision to change the world like Steve Jobs or Mark Zuckerberg did, nor do they have a tiny fraction of their riches. But then again, money is not everything.

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