

## What Good Could Come After Financial Success?



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**All of society would benefit if successful entrepreneurs used their skills to promote positive social change.**

A lot has been written on how to start and grow a venture. Comparatively speaking, there's been less research on exits, the stage at which successful entrepreneurs sell their company and, often enough, get enough money to retire if they choose to. That's because such success is hardly typical.

Entrepreneurship is a mortal combat, with few winners.

As researchers, we are intrigued by entrepreneurial success. Aside from it being a rare phenomenon, it is consequential: As entrepreneurs succeed, they become wealthy, which paves the way for social mobility. In an emerging economy, such success can also be a vector for social change.

This fits into a larger query: How do entrepreneurs benefit society? Traditionally, there have been two answers. The first is that entrepreneurs

boost the economy by creating jobs. The second is that they come up with innovative ideas and new, better ways of doing things. That's why economist Joseph Schumpeter (1883-1950) refers to entrepreneurs as the agents of "**creative destruction**" in the economy.

But could there be a third answer? At heart, successful entrepreneurs are skilled organisation builders. What if they chose to apply these skills to non-economic domains in a benevolent way? They could improve society as a whole.

## **Seeing the need for social change**

In a **recent paper**, we examined what traits could, among successful commercial entrepreneurs who have exited their for-profit business, increase the odds of them engaging in active philanthropy. By active philanthropy, we don't mean cutting checks for good causes. Such episodic financial donations are easy, provided one has money in the bank. Rather, we looked at which successful commercial entrepreneurs used their time, energy, passion, capital, expertise and connections post-exit to systematically stimulate, support and shape social impact efforts.

We examined a sample of 673 Indian entrepreneurs who successfully exited from their for-profit venture during 2003-2013. We then supplemented this quantitative analysis with qualitative interviews. Our basic assumption was that the entrepreneurs' personal backgrounds could drive their propensity for philanthropic action.

Specifically, we were interested in the personal background attributes that could help the entrepreneurs not only perceive the need for social change, but also boost their motivation to do something about it. In every society, individuals are often "slotted" into informal social hierarchies based on their personal attributes – irrespective of their actual accomplishments that are relevant for the task at hand. For instance, in contemporary American society, race (or income, education etc.) is an important, unstated personal characteristic with white (or rich, Ivy-league educated, etc.) individuals at the top of the informal pecking order and black (or poor, high-school educated, etc.) individuals at the bottom. In our Indian setting, the social background attributes that play a similar role are caste, gender, graduating from an elite Indian university or from a foreign university.

In our sample, we found clear statistical patterns showing that entrepreneurs who came from a lower caste background and those who had returned to India (returnees) after studying in a first-world country were more likely to use their new wealth to encourage social change. Because only 6 percent of our sample were women, we could not discern statistically significant gender effects.

### **Acquiring a new perspective**

Our finding that successful entrepreneurs drawn from socially disadvantaged groups (lower caste in our setting) are more prone to give back is consistent with prior literature: Those who have a privileged status in society often fail to perceive a need for change because, to them, everything is perfect as it is, so to speak. They see the world as fair and just. They also tend to believe that society's existing social structure is based on merit, whereas the flaws of the system are more visible to those ascribed a lower social status.

As mentioned above, returnees – those entrepreneurs who returned to India after studying in the West or the developed parts of Asia such as Singapore and Japan – were also more motivated to promote positive social change. Acquiring, albeit temporarily, the lower status of “foreign students” or “third-world immigrants” likely increased their odds of experiencing discrimination and thus, building empathy for the less fortunate.

Another mechanism that became readily apparent from our interviews is the impact of observing the effects of a different social contract in their host country. Residence in a developed economy during early adulthood increases the odds of observing prosocial behaviour. A high enough contrast (in favour of the host country) can be a motivating factor to engage in societal change upon return. As one returnee entrepreneur told us: “The realisation that volunteering was a very normal part of life in America made a deep impact on me.”

### **Who else would this resonate with?**

Aside from successful commercial entrepreneurs, our findings may resonate with anyone who has made it in their professional life. It could be wealthy executives, partners, bankers, consultants, doctors, architects or lawyers, for example. Everyone who has achieved significant material success in their careers, at some point, starts to wonder what their second act is going to be.

What do you do after getting a large windfall from selling the business you worked so hard on? People often feel elated, but at the same time, some feel depressed and even guilty. As one entrepreneur told us: “We worked very hard but we were also lucky.” The average entrepreneur in our sample was 45 at the time of the financial exit. How do you retire at 45? What do you do next?

The takeaway is that successful entrepreneurs are skilled organisation builders. They are great at identifying an opportunity and then relentlessly pursuing it in a sustainable way. If at least a fraction of them could be persuaded to turn their gaze to non-economic domains in benevolent ways, society could benefit from their ability to look at thorny problems with fresh and confident eyes.

Indeed, as a spin-off from this research project, one of the authors is also involved in the [Post-Exit Entrepreneurs Retreat](#) (PEER) – an INSEAD-supported initiative to help successful entrepreneurs navigate the post-exit stages from a personal, professional and financial perspective and prepare themselves for their next adventure. The first PEER retreat is scheduled for 21 to 25 September 2022 in Bali, Indonesia. Applications are open with early-bird discounts.

#### Find article at

<https://knowledge.insead.edu/career/what-good-could-come-after-financial-success>

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#### About the author(s)

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#### About the research

["Who Gives Back? Evidence from India on Successful Entrepreneurial Exit and Involvement in Philanthropy"](#) is a working paper.

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