

Control freaks or good parents? Entrepreneurial motivation and firms' innovative performance

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Abstract:

According to Schumpeter (1936), the entrepreneur is the main protagonist of the innovative process and firms are only a vehicle through which entrepreneurs bring innovations to the market. A substantial share of entrepreneurs shows a very low reservation profit, does not innovate and is not interested to grow. This outcome has been explained by the presence of non-monetary benefits in entrepreneurial activity. In this paper we contend that, a crucial motivation to run a business is the enjoyment of the benefits of managerial control seen as a desire to hold control and authority over other individuals. Drawing on the EFIGE dataset, we look at two fundamental organizational options, i.e. family vs. external management and centralized vs. decentralized internal organizations, that, in our view, can reveal information on the relevance of this motivation, and we assess their connections with firms' innovative strategies and performance. Finally, we draw some conclusions on the desirability and design of policies to support entrepreneurship.

Keywords: motivations, entrepreneurship, nonmonetary benefits, organizational choice

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