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After the harvest: A stewardship perspective on entrepreneurship and philanthropy

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ABSTRACT

Entrepreneurs comprise the majority of the richest people in the world. Their venture exits, or more specifically harvests, often represent the events through which they accrue this great wealth. Following these harvests, entrepreneurs make critical decisions with their financial resources that can have a profound impact on society. Through content analysis of *The Giving Pledge* letters and in-depth interviews with entrepreneurs, we explore how and why entrepreneurs redistribute their resources following harvests, and we reveal four mechanisms — intrinsic motivation, identification, personal power, and stewardship norms — that drive these philanthropic decisions. We extend stewardship theory and highlight a new avenue through which entrepreneurs can act as stewards of others and address societal concerns.

1. Executive summary

Entrepreneurs represent most of the wealthiest individuals in the world. Entrepreneurs often acquire this great wealth through an entrepreneurial harvest, or an event in which they ‘cash out’ their investment, such as by selling their business and exiting their organizations. Although past entrepreneurial research focuses on the events leading up to venture exit, research does not explore what happens *after* entrepreneurs harvest their ventures. This is problematic as successful harvests can convert entrepreneurs into millionaires and billionaires, leaving them with difficult decisions about what to do with their extraordinary wealth while also unlocking great giving potential.

To address this gap, we explore how and why entrepreneurs redistribute their resources following harvest events. In doing so, we analyzed 99 pledge letters from entrepreneurs who have joined *The Giving Pledge* — an effort to help address society's most pressing problems by inviting the world's wealthiest individuals to commit their resources to philanthropy or charitable causes. We then supplemented this data with interviews of 19 entrepreneurs who had either successfully harvested their ventures or were seriously considering doing so in the near future.

We adopted an interpretive analysis strategy by following methodological procedures offered by inductive theory-building research. Through this analysis process, we realized our findings were not only consistent with the tenets of stewardship theory but also extended the theory. Although research has examined why individuals act as stewards of organizations, our research is the first to move stewardship theory beyond the employee-organization context by offering stewardship theory as a mechanism that explains why entrepreneurs act as stewards of society by giving away significant portions of their wealth.

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By highlighting what happens after exit, or harvest, our study contributes to our understanding of entrepreneurship by explaining a poorly understood phenomenon — decisions made by entrepreneurs after venture exit. We also contribute to the central tenets of stewardship theory by adding an additional factor — stewardship norms. Finally, given the unique circumstances of entrepreneurs and their harvests, we also contribute to our understanding of philanthropy by highlighting how harvests can trigger stewardship behaviors. As entrepreneurial educational institutions are often the beneficiaries of entrepreneurs' giving decisions, these findings hold critical implications for entrepreneurship scholars and educators by explaining the theoretical mechanisms that motivate financially successful entrepreneurs to give back.

2. Introduction

> *I have never seen a hearse pulling a U-Haul trailer. You can't take it with you.*
>
> [Albert Ueltschi, *The Giving Pledge*]

> *Claire and I never believed that the wealth we accumulated was truly ours. From the beginning, we believed that we were only lifetime stewards of our good fortune and were charged with redeploying it for useful societal purpose.*
>
> [Leonard Tow, *The Giving Pledge*]

Entrepreneurship represents a driving force behind financial and societal well-being. It can create jobs, spur innovation, and improve qualities of life for societies worldwide (Bruton et al., 2013; Hitt et al., 2011). Entrepreneurship, if successful, can also generate extraordinary wealth for a single founder, or a small number of founders. Recent estimates show nearly 70% of the individuals on the Forbes 400 — a ranking of the richest people in America — started their own businesses (Kaplan and Rauh, 2013). Research also shows most "1 percenters," or the top 1% of wage earners, are entrepreneurs, and more of the world's wealthy are entrepreneurs than ever before (Carney and Nason, 2016; Dewan and Gebeloff, 2012; Mankiw, 2013).

Although successful entrepreneurs can amass wealth over the lifetime of their ventures, there is often a single point in time in which entrepreneurs harvest significant value from their ventures (Holmberg, 1991). Although closely related to entrepreneurial exit, or "removing oneself from the primary ownership and decision-making structure of the firm" (DeTienne, 2010, p. 204), we focus on the entrepreneurial harvest, or "the process of cashing in an investment" (Wennberg and DeTienne, 2014). Thus, the harvest represents a financial event in which a significant amount of money directly accrues to the founder(s) of a venture. Examples of harvest events include the sale of a business to a partner or organization, liquidation of a business, wealth generated from an IPO, or a substantial distribution made from an existing company to the founder(s). In other words, a single harvest event can create millionaires and billionaires, thus leaving entrepreneurs with difficult and important decisions regarding what to do with their resources. Interestingly, many entrepreneurs decide to give large portions of their earned wealth away, and it was this phenomenon that motivated us to examine the research question of "*how and why do entrepreneurs redistribute their resources following harvest events?*"

We leveraged two entrepreneurial samples to inductively explore this question. Taking an interpretive approach, we content analyzed pledge letters from wealthy entrepreneurs who have joined *The Giving Pledge* — a campaign to help address society's most pressing problems by inviting the world's wealthiest individuals to commit more than half their wealth to charitable causes. Considering these individuals reflect "extreme cases" of financially successful entrepreneurship (Chen, 2015; Seawright, 2016), we then complemented this data with in-depth interviews between two groups of more typical founders — those who have experienced a harvest event and those who were considering a future harvest event. Four themes emerged from this inductive process: intrinsic motivation, strong identification with a cause, the influence of personal power with an orientation toward long-term welfare, and stewardship norms. These themes comport with the tenets of stewardship theory (Davis et al., 1997), which we used to theoretically ground and enhance our findings.

In so doing, this research makes three important contributions. First, we advance literature at the intersection of philanthropy and entrepreneurship. Whereas philanthropy research often focuses on wealthy individuals, in general, entrepreneurs' harvests provide a distinct context that can uniquely impact giving behaviors. Specifically, we show how harvests can trigger entrepreneurs' ability to give and potentially prime societal expectations for entrepreneurs to give. Second, we extend the existing literature on entrepreneurial exit by exploring harvests. Although research is clear that exit strategies are a critical element of the entrepreneurial process (DeTienne, 2010), research has not examined entrepreneurs' post-harvest actions. We explore entrepreneurs' decision-making processes leading up to, and following, harvests. Third, we contribute to stewardship theory. Whereas stewardship theory research focuses on how employees act as stewards of their organization, we extend stewardship theory into a new realm by explaining how entrepreneurs act as stewards of their communities. We focus particularly on the call to examine "the antecedents that facilitate and explain the emergence of stewardship behaviors" (Hernandez, 2012, p. 173), and we offer new insights that explain how norms of reciprocity and generosity induce entrepreneurs to give back to society.

3. Philanthropy and harvest

The idea of wealthy individuals leveraging their resources to promote the social welfare of others is far from new (Carnegie, 1901; Dees, 2008; Harbaugh, 1998). Indeed, a wide body of research explores the mechanisms that drive charitable giving (for a