



Article

How Social Identity Affects Entrepreneurs' Desire for Control

Hans Vanoorbeek ¹ and Laura Lecluyse ^{2,3,*}¹ Vlerick Business School, 9000 Ghent, Belgium; hans.vanoorbeek@vlerick.com² IDEA Consult, 1000 Brussels, Belgium³ Faculty of Economics and Business Administration, Ghent University, 9000 Ghent, Belgium

* Correspondence: laura.lecluyse@ideaconsult.be

Abstract: In order to obtain a better understanding why some entrepreneurs retain more control over their venture than others, this article analyzes the relationship between the social identity of the entrepreneur and her/his desire for control. In fact, entrepreneurs face an important tradeoff between attracting resources required to build company value and retaining decision-making control. Yet, we currently lack insight into whether and how entrepreneurs' social motivations shape this tradeoff. This study draws on social identity theory and a unique sample of 148 buyout entrepreneurs, as this setting confronts aspiring entrepreneurs directly with the value–control tradeoff. In our logistic regression, we find that entrepreneurs with a strong missionary identity, where venture creation revolves around advancing a cause, hold a higher desire for control. We do not observe a significant relationship between entrepreneurs having a Darwinian (driven by economic self-interest) or communitarian (driven by the concern for the community) identity and the desire to control their venture. When adding the moderating role of the portion of personal wealth the entrepreneur is willing to invest in her/his venture, the relationships between having a Darwinian or missionary social identity and the desire for control become significantly positive when the entrepreneur is looking to invest a larger portion of her/his wealth.

Keywords: social identity theory; entrepreneurship; control and autonomy

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1. Introduction

Prior work contends that entrepreneurs are not only motivated by economic objectives and personal wealth, but also highly value the autonomy, independence, and control related to entrepreneurship (Amit et al. 2001; Douglas and Shepherd 2002; Schwienbacher 2008; Souitaris et al. 2020; Shepherd et al. 2015). At the same time, entrepreneurs rarely control all resources required to build company value and, therefore, may need to attract resources such as human, social, and financial capital from other parties like co-founders, hires and/or investors (Brush et al. 2008; Colombo and Grilli 2010; Evans and Jovanovic 1989; Ruef et al. 2003; Sapienza et al. 2003; Schwienbacher 2007). However, attracting those resources typically comes at the cost of ownership stakes and/or decision-making control (Fattoum-Guedri et al. 2018; Hellmann 1998; Wasserman 2012, 2017). This leaves the entrepreneur with an important tradeoff between value creation, stemming from resource attraction, and retaining control, i.e., the so-called “control dilemma” (Wasserman 2017). Anecdotal evidence indicates that significant heterogeneity exists in how entrepreneurs address this control dilemma. While some entrepreneurs consistently forego attracting external resources to the benefit of control, others consistently attract valuable external resources but typically hold less control.

To date, however, we still know relatively little about why some entrepreneurs retain more control over their venture than others. Evidence in this area has mainly built on a resource-dependence perspective (Pfeffer and Salancik 1978) and concluded that the degree to which entrepreneurs retain control is primarily a function of the resources that they possess, for instance through prior work experience (Wasserman 2017). Yet, decisions about control and resource attraction may also be influenced by entrepreneurs' social

identity, or how they define themselves in terms of their relationships in the social world (Hogg et al. 1995; Tajfel and Turner 1979). A growing body of work points to the role of an entrepreneur's social identity as a powerful predictor of their decisions and actions (Fauchart and Gruber 2011; Franke et al. 2006; Pan et al. 2019; Powell and Baker 2014; Rutherford 2021). Entrepreneurs who hold different social identities pursue different goals and derive fundamentally different types of benefits from their entrepreneurial activities (Fauchart and Gruber 2011; Pan et al. 2019). The research in this area has demonstrated that entrepreneurs' social identity affects a variety of fundamental entrepreneurial decisions, such as strategic choices about market segments, customer and competitor orientation and production methods (Fauchart and Gruber 2011; Powell and Baker 2014; Rutherford 2021), decisions related to the type of opportunities to exploit (Wry and York 2017; York et al. 2016), preferences for effectual or causal behavior (Alsos et al. 2016), and environmental adaptations at firm level (Zuzul and Tripsas 2020). Nevertheless, whether, and how, an entrepreneurs' social identity might influence their preference for control remains unclear. Accordingly, this paper aims to shed light on the relationship between entrepreneur's social identity and their desire for control.

We examine the relationship between entrepreneurs' social identity and the desire for control in the context of an important, yet under-researched group of entrepreneurs, i.e., buy-out entrepreneurs. Buy-out entrepreneurs offer a particularly relevant context for our study. In contrast to nascent entrepreneurs who start their own venture from scratch, buy-out entrepreneurs become entrepreneurs by acquiring all or part of an existing venture for the purpose of expanding or enhancing it (Hunt and Fund 2012)—a phenomenon also known as “entrepreneurship through acquisition” (Cooper and Dunkelberg 1986). Whereas buy-out entrepreneurs are directly confronted with the control–value creation tradeoff when acquiring an existing venture, nascent entrepreneurs are typically faced with high levels of uncertainty about the feasibility of their ventures. Accordingly, since nascent entrepreneurs continuously adapt their decision-making to change and uncertainty, their control preferences are likely more causally ambiguous and volatile. For instance, the control preferences of nascent entrepreneurs arguably vary with their changing and subjective beliefs about whether they possess sufficient resources to ensure venture survival (Linder et al. 2020). Buy-out entrepreneurs, in contrast, hold selection criteria upfront about the venture they want to acquire and carefully screen and deliberately select target companies accordingly.

The results from a logistic regression analysis with survey data from 148 aspiring buy-out entrepreneurs confirm our contention that social identity is an important determinant of entrepreneurs' preferences in the control–value tradeoff. We find that entrepreneurs with higher missionary social identities are more likely to desire control over their ventures, whereas entrepreneurs with Darwinian or communitarian social identities do not. Furthermore, the impact of social identity on the control–value creation tradeoff is moderated by the share of their personal wealth entrepreneurs are looking to invest.

This study contributes to the entrepreneurship literature in several ways. It sheds new light on the control–value tradeoff by identifying novel predictors of entrepreneurs' preference for control. While prior studies in this area have mainly built on the resource dependency literature (Wasserman 2012, 2017; Garg and Eisenhardt 2017), we find that entrepreneurs' social identity fundamentally influences the extent to which entrepreneurs desire to have control over their ventures. As such, our theorizing and findings underscore the importance of considering the entrepreneurs' social identity in explaining differences in entrepreneurs' venture creation process and strategic decisions. Finally, this study elucidates an often-overlooked type of entrepreneurs, namely the buyout entrepreneurs. As this context possesses some distinct attributes, such as reduced uncertainty about firm viability, other entrepreneurship studies may benefit from studying this context.

2. Results

2.1. Theoretical Background and Hypotheses

2.1.1. The Social Identity of Entrepreneurs

According to social identity theory, people define themselves as part of social groups, which provide them with social orientation and feelings of psychological connectedness to the fate of the groups (Tajfel and Turner 1979). In identifying with a certain group, individuals seek to incorporate the positive attributes (e.g., success and status) of that group (i.e., the “in-group”) and contrast themselves against the negative attributes from the “out-group” (Tajfel and Turner 1979; Hogg and Terry 2000; Hogg 2020). Social identification thus provides answers to fundamental questions such as “Who am I?” and “What is my role in society?” (Stryker and Serpe 1982; Fauchart and Gruber 2011). Moreover, individuals strive to behave and act in ways that are consistent with their social identity (Stets and Burke 2000; Tajfel and Turner 1979). This is because social identity not only defines the social motivations that are most important to individuals, but also serves as a frame of reference for interpreting information and assessing one’s self-worth (Hogg and Terry 2000; Stets and Burke 2000).

Recently, a growing body of studies has started to emphasize that social identity is a powerful predictor of entrepreneurs’ decisions and behavior. Scholars have demonstrated that entrepreneurs’ social identity affects their strategic decisions including the market segments served, the customer needs addressed, and the production methods used (Powell and Baker 2014; Fauchart and Gruber 2011), the type of opportunities they exploit (Wry and York 2017; York et al. 2016), the preference for effectual or causal behavior (Alsos et al. 2016), their entrepreneurial self-efficacy (Brändle et al. 2018; Hand et al. 2020), and ultimate firm performance (de la Cruz et al. 2018; Brändle et al. 2019; Fauchart et al. 2019). Fauchart and Gruber (2011) uncover that the entrepreneurs’ social identity is shaped by their basic social motivation, basis of self-evaluation, and frame of reference, and, as such, identify three different social identity types, i.e., Darwinians, communitarians, and missionaries. Darwinian entrepreneurs are motivated by their economic self-interest, see competitors as their frame of reference, and evaluate themselves by reference to their professionalism and competence. Communitarian founders are driven by the concern for the group they identify with (i.e., the community) and evaluate themselves and their entrepreneurial activities based on whether they support and bring something useful to the community. Missionaries aim to change the world for the better with their company, reference the society at large, and perceive the positive change they achieve as the basis of self-evaluation.

2.1.2. Social Identity as Determinant of the Control–Value Tradeoff

The control–value creation tradeoff, or the “control dilemma”, is a critical issue entrepreneurs face, and it refers to the tension between attracting the resources required to build company value and retaining control over decision making (Wasserman 2017). On the one hand, entrepreneurs typically miss key resources needed to pursue opportunities, overcome liabilities of newness, sustain firm growth, and ensure firm survival (Aldrich and Fiol 1994; Brush et al. 2001; Colombo and Grilli 2010; Evans and Jovanovic 1989). As such, entrepreneurs introduce resource providers, such as co-founders, hires, or investors, to ensure their company gains skills, expertise, industry knowledge, financial capital, and contacts with customers or potential partners (Beckman et al. 2007; Kim and Longest 2014; Ruef et al. 2003; Wasserman 2012, 2017; Knight et al. 2020). On the other hand, attracting those resources comes at a clear cost: giving up control over the company they created (Hellmann 1998; Wasserman 2017).

Only a few studies have examined when entrepreneurs are more likely to surrender control. Wasserman (2017) draws from a resource-dependence perspective to conclude that the degree to which an entrepreneur retains control is a function of the resources that the entrepreneur versus other resource providers (i.e., cofounders, hires, and/or investors) possess. In particular, it is predicted that the more value the core entrepreneur can provide,

for instance through prior work and founding experience (Sapienza et al. 2003), the more control s/he will be able to retain. Alternatively, the more value that is provided by cofounders, hires and/or investors, for instance in terms of human or financial capital, the less control the core entrepreneur will retain (Wasserman 2017, p. 258). While studies drawing on resource dependence theory often focus on how attracting resources reduces organizational uncertainty (Pfeffer and Salancik 1978; Wry et al. 2013), original conceptions of the theory also recognized the tension between the attraction of resources and the preservation of power. A key contribution of Wasserman (2017) and others (Katila et al. 2008; Garg and Eisenhardt 2017) was to reintroduce the resources-versus-power tradeoff to the setting of entrepreneurial ventures. Studies in this area, for instance, examine how entrepreneurs may stay out of exchange relationships with resource providers when they anticipate an unfavorable power balance (Diestre and Rajagopalan 2012; Katila et al. 2008).

Yet, decisions about the tradeoff between value and control may also reflect the entrepreneurs' social identity. In particular, we propose that an entrepreneur's social identity is likely to influence the degree to which s/he values retaining control. This is because decisions about ceding control to others are inherently social, and an entrepreneur's social identity is "central to their decision making and their behavior and actions relative to others (Brewer and Gardner 1996)" (Fauchart and Gruber 2011, p. 938). Thus, we set out to explore how entrepreneurs' social identity affects their desire for control.

Entrepreneurs who hold a strong Darwinian social identity are driven primarily by their own economic self-interest. Because their self-concept primarily focuses on the self, Darwinians are focused on realizing independent success and feel less responsible for others (Sieger et al. 2016). Building a firm is seen as a way to pursue idiosyncratic goals, such as making profits and accumulating personal wealth. In addition, these entrepreneurs are typically highly confident in their abilities (Fauchart and Gruber 2011; Brändle et al. 2018). Accordingly, we can expect that entrepreneurs who hold a stronger Darwinian social identity are more likely to desire control over their venture since they value independence, seek to pursue private interests, and believe they have what it takes to run and manage their venture. Formally, we predict the following:

Hypothesis 1. *There is a positive relationship between entrepreneurs' Darwinian social identity and the desire for control.*

Communitarian entrepreneurs are driven by the concern for the community (i.e., a group of like-minded people), and evaluate themselves and their entrepreneurial activities based on whether they bring something useful to that community (Fauchart and Gruber 2011). They do not only identify strongly with their community, but also feel highly responsible for the members of the community. Because they do not want to disappoint the community members, such feelings of responsibility may lead these entrepreneurs to experience anxiety and reduced levels of confidence about their own abilities (Brändle et al. 2018). At the same time, communitarian entrepreneurs believe that they have an obligation towards nurturing their relationships with their community, and that other members in the community are equally committed to supporting the interests of the group (Sieger et al. 2016; Brändle et al. 2018). As such, we can expect communitarian entrepreneurs to be open to keeping others engaged in their venture, as they primarily care about supporting the community with the best available resources, believe others have similar interests, and are often less confident in their own entrepreneurial abilities. Thus, we formally predict:

Hypothesis 2. *There is a negative relationship between entrepreneurs' communitarian social identity and the desire for control.*

Missionary entrepreneurs consider themselves successful if they contribute to social goals and change the world for the better (Fauchart and Gruber 2011). They are primarily interested in seeing that their vision is followed, supported, and implemented by as many people as possible so that the world can become a "better place" according to their mission

(Fauchart and Gruber 2011). The self-worth of missionary entrepreneurs depends on how much they contribute to their valued greater causes, such as social justice and preserving the environment. These entrepreneurs feel personally responsible for advancing society and seek to personally affect the well-being of others (Brändle et al. 2018). Given their desire to single-handedly contribute to society, we expect that entrepreneurs who identify themselves with the missionary identity are more likely to value control over their ventures so they can clearly dictate their vision and attribute societal contributions to themselves:

Hypothesis 3. *There is a positive relationship between entrepreneurs' missionary social identity and the desire for control.*

2.1.3. The Moderating Role of the Portion of Personal Wealth Willing to Invest

While we expect entrepreneurs' social identity to be associated with their desire for control, the strength of this relationship may differ based on the portion of their personal wealth entrepreneurs are willing to invest in their venture. When entrepreneurs invest a large portion of their personal wealth in the venture, their social identity and related goals should have a strong influence on their desired level of control. That is because entrepreneurs who have a high fraction of their wealth concentrated in a venture have high incentives to ensure the venture's governance structure and conduct is aligned with their idiosyncratic values and objectives (Bitler et al. 2005; Eisenhardt 1989). Alternatively, entrepreneurs who only invest small portions of their personal wealth will have lower incentives to ensure the firm's governance structure and conduct is in line with their objectives. As such, the above hypothesized relationships between an entrepreneur's social identity and the desire for control (H1–H3) should be stronger when entrepreneurs are willing to invest a greater percentage of their personal wealth in their ventures. We specifically propose:

Hypothesis 4a. *The relationship between entrepreneurs' Darwinian social identity and the desire for control is moderated by the portion of personal wealth entrepreneurs are looking to invest, so that the relationship is more positive if entrepreneurs are looking to invest higher portions of personal wealth.*

Hypothesis 4b. *The relationship between entrepreneurs' communitarian social identity and the desire for control is moderated by the portion of personal wealth entrepreneurs are looking to invest, so that the relationship is more negative if entrepreneurs are looking to invest higher portions of personal wealth.*

Hypothesis 4c. *The relationship between entrepreneurs' missionary social identity and the desire for control is moderated by the portion of personal wealth entrepreneurs are looking to invest, so that the relationship is more positive if entrepreneurs are looking to invest higher portions of personal wealth.*

2.2. Results

Table 1 reports the summary statistics and correlations of variables in our empirical models. Most individuals in our sample do not have prior startup experience (36% have) and aim to acquire a venture that has fewer than twenty employees (63% of respondents). The standard deviations of the social identity variables suggest that substantial heterogeneity exist in their social identities.

Prior to running our regressions, we examined the variance inflation factors (VIFs) of the variables that were included in our models. The highest mean VIF in any model was 2.7 and the maximum VIF for any single variable was 5.43, values below the conventional threshold value of 10 to detect multicollinearity problems (Cohen et al. 2013).

Table 1. Descriptive statistics and correlations.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Desire for control	0.14	0.34											
2. Darwinian social identity	5.62	0.60	0.12										
3. Communitarian social identity	3.95	1.24	−0.02	−0.12									
4. Missionary social identity	4.34	1.29	0.09	−0.05	0.57								
5. Age (ln)	1.66	0.07	−0.04	−0.01	0.09	0.08							
6. Gender	0.05	0.23	−0.01	−0.05	0.04	0.06	0.01						
7. Educational level	0.84	0.36	−0.16	−0.01	−0.03	−0.08	−0.19	−0.23					
8. Startup experience	0.36	0.48	−0.09	0.03	0.01	0.06	0.04	0.01	0.01				
9. Preferred size ^a	2.26	0.82	−0.18	−0.08	0.05	0.07	0.18	−0.15	0.05	−0.07			
10. Capital to invest ^a	3.44	1.63	0.01	−0.07	0.05	−0.03	0.08	−0.06	−0.06	−0.02	0.18		
11. Acquired venture	0.29	0.46	0.18	−0.01	−0.02	−0.08	0.13	−0.15	−0.10	−0.07	0.29	0.19	
12. Portion of personal wealth	2.50	1.23	0.03	0.07	−0.16	−0.06	−0.19	−0.17	0.02	−0.07	0.03	0.13	0.14

Note: S.D. = standard deviation; correlations greater than |0.18| are significant at $p < 0.05$; correlations of binary variables should be interpreted with care. ^a Categorical variables.

To examine the relationship between social identity and the desire for control, we conducted logistic regression analyses. Table 2 presents our regression results. Our baseline model, Model 1, shows the results with regard to our control variables. We find that the desire for control is negatively related to the preferred size of the target venture. To the extent that a firm's size and its value are positively related, this result indicates that entrepreneurs are cognizant of the control–value tradeoff. Model 2 is enriched with the three social identities. The models' pseudo R^2 indicate that the model with the social identities included (Model 2) fits the data better than our baseline model (Model 1). The results indicate that there is a positive relationship between the missionary social identity and desiring control over the venture ($\beta = 0.75$, $\exp(\beta) = 2.12$, $p = 0.04$). Therefore, we find support for Hypothesis 3. Both the relationship between the communitarian social identity and the desire for control and between the Darwinian social identity and the desire for control show the expected signs, but they are statistically insignificant. Hypotheses 1 and 2 are thus not supported.

Model 3 includes the interactions of the social identity variables and the portion of their personal wealth that entrepreneurs are looking to invest. Supporting Hypothesis 4a, we find that the portion of personal wealth positively moderates the relationship between the Darwinian social identity and the desire to have control ($\beta = 1.19$, $p = 0.07$). The coefficient of the interaction between communitarian social identity and portion of personal wealth has the expected sign but is statistically insignificant. Hence, Hypothesis 4b is not supported. Finally, supporting Hypothesis 4c, we find that the relationship between the missionary social identity and the desire for control is positively moderated by the portion of the personal wealth that entrepreneurs are looking to invest ($\beta = 0.54$, $p = 0.05$).

To aid interpretation, plots of these interactions are presented in Figures 1 and 2. The plots are illuminating since they suggest that the desire for control is relatively independent from an entrepreneur's social identity when the entrepreneur is only looking to invest a small portion of her/his wealth. In contrast, the relationships between having a Darwinian or missionary social identity and the desire for control become significantly positive when the entrepreneur is looking to invest a larger portion of her/his wealth.

Table 2. Logistic binary regression for the effect of entrepreneur's social identity on the desire for control.

Variables	Model 1	Model 2	Model 3
	β (SE)	β (SE)	β (SE)
Darwinian social identity		0.736 (0.590)	−1.693 (1.466)
Communitarian social identity		−0.281 (0.343)	0.053 (0.893)
Missionary social identity		0.747 * (0.367)	−0.389 (0.870)
Darwinian social identity × Portion of personal wealth			1.190 * (0.607)
Communitarian social identity × Portion of personal wealth			−0.176 (0.308)
Missionary social identity × Portion of personal wealth			0.544 † (0.298)
Age	−3.704 (4.324)	−5.899 (4.801)	−9.552 † (5.414)
Gender	−1.311 (1.646)	−0.971 (1.576)	−1.528 (2.126)
Educational level	−1.389 † (0.797)	−1.184 (0.890)	−1.482 (0.981)
Startup experience	−1.164 (0.710)	−1.426 † (0.767)	−1.573 † (0.889)
Acquired company	1.829 * (0.721)	2.225 ** (0.776)	3.129 ** (0.997)
Portion of personal wealth	−0.260 (0.274)	−0.199 (0.280)	−0.472 (0.343)
Preferred size ^a	Included	Included	Included
Capital to invest ^a	Included	Included	Included
Constant	8.324 (7.653)	11.215 (8.397)	19.180 * (9.731)
Pseudo R ² (Nagelkerke)	0.39	0.46	0.53

Note: N = 148. Standard errors (SE) in parentheses. ^a Categorical variables. ** $p < 0.01$; * $p < 0.05$; † $p < 0.10$.

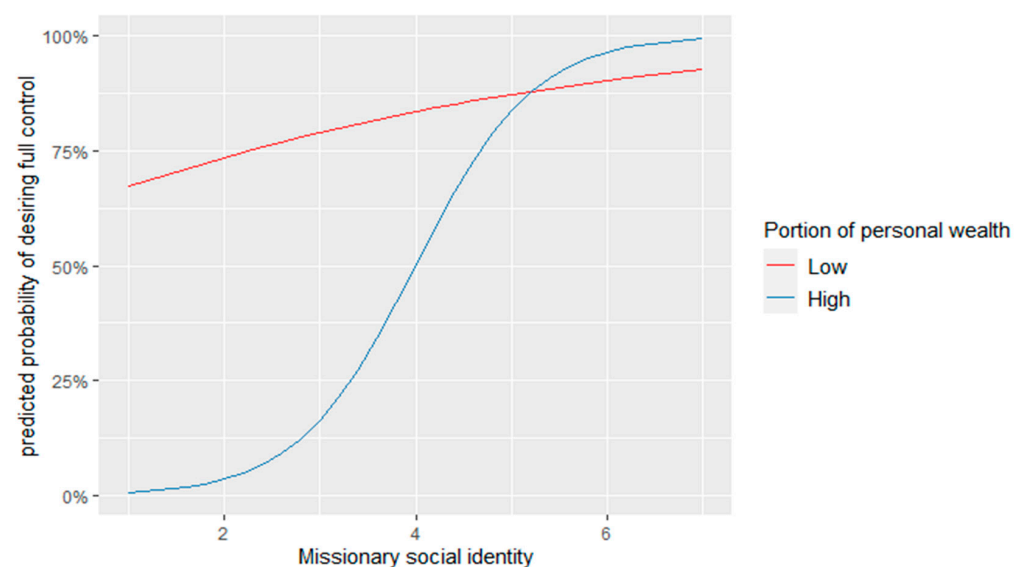


Figure 1. Interaction of portion of personal wealth and entrepreneurs' missionary social identity for the desire to have full control. Note: With portion of personal wealth low = mean − S.D., and high = mean + S.D.

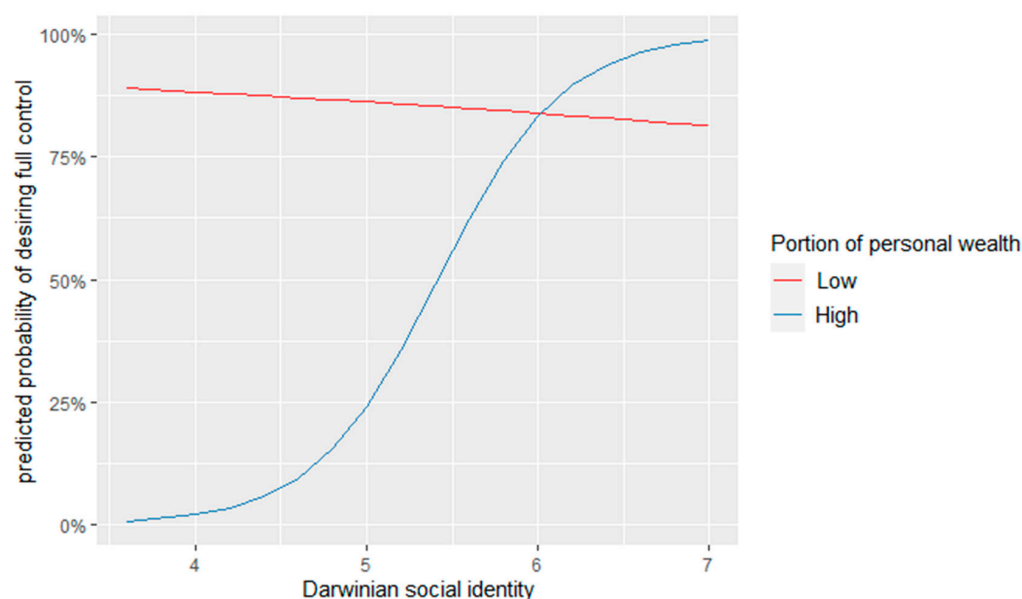


Figure 2. Interaction of portion of personal wealth and entrepreneurs' Darwinian social identity for the desire to have full control. Note: With portion of personal wealth low = mean – S.D., and high = mean + S.D.

3. Materials and Methods

3.1. Sample and Data Collection

Our sample consists of buyout entrepreneurs, which are individuals who are looking to become an entrepreneur by acquiring an existing venture, typically a small business (Wright et al. 2001a, 2001b). Buyout entrepreneurs are entrepreneurially motivated in the sense that their goal is to grow and enhance the business they acquire (Hunt and Fund 2012). They typically invest a large portion of their personal wealth in the venture they acquire and engage in the processes of discovery, evaluation, and exploitation of opportunities (Hunt and Fund 2012). Therefore, they show important common threads to nascent entrepreneurs (Shane and Venkataraman 2000). Indeed, entrepreneurship through acquisition or new venture creation represent two entrepreneurial approaches grounded in many of the same processes and desired outcomes.

This context of buyout entrepreneurs is highly relevant to study the control–value creation tradeoff since it mitigates the uncertainty about, and the volatility of the control decisions faced by nascent entrepreneurs in a venture creation context. However, buyout entrepreneurs are usually hard to identify (Hunt and Fund 2012), which means that they have largely been ignored in prior research (Meuleman et al. 2009; Alemany and Andreoli 2018). Yet, we surveyed 868 (aspiring) buyout entrepreneurs, who were identified through their participation in executive education programs at two European business schools targeted at individuals seeking to acquire their own venture in the near future. After we sent an online survey in 2019 to the participants of the programs, followed by two e-mail reminders, 170 individuals responded to our survey (19.59% response rate). After eliminating 22 responses due to missing values, our final sample consists of 148 (aspiring) buyout entrepreneurs. As we double-checked this database on historic consistency, including a comparison with the characteristics of current participants and non-response bias (using late respondents as a proxy for non-respondents), we feel confident that this sample of buyout entrepreneurs is still representative in current days.

3.2. Measures

Our independent variables, i.e., Darwinian, communitarian, and missionary social identity are based on the social identity scale, consisting of 15 items, developed by Sieger et al. (2016). By replacing the words “found”, “founding”, and “founder” in the

original items by “acquire”, “acquiring”, and “acquirer”, respectively, we adjusted the scale to fit the entrepreneurial buyout context. Example items are “I will acquire my firm in order to play a proactive role in changing how the world operates” and “As a firm acquirer, it will be important to me to provide a product/service that is useful to a group of people that I strongly identify with (e.g., friends, colleagues, club, community)”. The responses were recorded using a 7-point Likert scale (1 = not at all important, 7 = extremely important). The Cronbach’s alpha for the Darwinian social identity is 0.56, for the communitarian social identity 0.84, and 0.90 for the missionary social identity. Our dependent variable, *desire for control*, captures whether the buyout entrepreneur prefers to hold all shares of the venture they acquire (1 = yes, 0 = no). The portion of personal wealth aspiring buyout entrepreneurs are willing to invest is captured by five intervals (<20%; >20% and <40%; >40% and <60%; >60% and <80%; >80%).

We incorporate several control variables. We first control for the personal background and demographics, namely age, gender (females were coded as 1 and males as 0), and educational level (whether or not the entrepreneur has obtained a master’s degree). In line with prior control studies, we also incorporate information on professional experience (Wasserman 2003, 2017; Sapienza et al. 2003). More specifically, we include whether or not the buyout entrepreneur has prior startup experience. Additionally, we control for the preferred size of the buyout entrepreneur’s target venture since it is reasonable to assume that the preferred size of buyout entrepreneur’s target venture influences her/his control preference. The preferred size of the target company is captured by one of four categories (i.e., less than five employees, between five and twenty employees, between twenty and fifty employees, and above fifty employees). Furthermore, we control for whether the aspiring buyout entrepreneur has already previously acquired a venture. Finally, we control for the capital the buyout entrepreneur is willing to invest in the venture (eight categories in thousands of euros, i.e., <100; >100 and <200; >200 and <400; >400 and <600; >600 and <800; >800 and <1000; >1000 and <1200; >1200).

4. Discussion

When individuals embark on an entrepreneurship journey, they face countless decisions that have strong, long-lasting effects on the evolution of their company. In this study, we focused on one of the most important tradeoffs that entrepreneurs face: the need to find a compromise between attracting the external resources required to build company value and retaining control, i.e., the “control dilemma” (Wasserman 2017). Our study confirms that the social identity of entrepreneurs is a powerful predictor in entrepreneurs’ control–value tradeoff. More specifically, we found a positive relationship between having a missionary social identity and a buyout entrepreneur’s desire for control. This result suggests that buyout entrepreneurs who identify themselves with the missionary identity are more likely to desire to control the venture they acquire. This may be because of their strong aspiration to dictate their vision throughout the company and single-handedly contribute to society (Brändle et al. 2018), which may be most feasible if they have strong control. Furthermore, the impact of social identity on the control–value tradeoff is moderated by the portion of personal wealth entrepreneurs are looking to invest. Specifically, the positive relationship between the missionary social identity and the predicted probability of desiring control is more positive when entrepreneurs are looking to invest a greater part of their personal wealth. This means that individuals with high levels of the missionary identity *and* who invest a high percentage of their personal wealth most strongly desire control. Similarly, we found that the relationship between the Darwinian social identity and the desire for control is more positive when high portions of personal wealth are invested. Here again, individuals with high levels of the Darwinian identity *and* who invest a high percentage of their personal wealth most strongly desire control. This is because entrepreneurs who invest higher portions of their wealth in a venture have a high incentive to ensure that the firm’s governance structure and conduct is aligned with their idiosyncratic objectives.

This study contributes to the literature in several ways. First, the study sheds new light on the control–value tradeoff by identifying novel predictors of the entrepreneurs’ decision in this regard. Whereas prior work has mainly built on resource dependence theory to address this control decision (e.g., [Wasserman 2017](#)), we add new insights by building on social identity theory. We find that entrepreneurs’ social identity, shaped by their social motivations, fundamentally influences to what degree entrepreneurs desire to hold control over the venture they acquire. Furthermore, we also point to the importance of the portion of the entrepreneur’s personal wealth he/she is willing to invest and the influence of the preferred size for the target venture in affecting the control decision. We encourage future research to delve deeper into the factors influencing this control decision. For instance, future work can consider the influence of hybrid identities ([Fauchart and Gruber 2011](#)) on the control decision.

Second, our study adds to the social identity literature in entrepreneurship by underscoring the importance of considering the entrepreneurs’ social identity in explaining differences in entrepreneurs’ venture creation process and strategic decisions. While a great number of studies have turned to identity theory, hereby adopting role identity perspectives (e.g., [Miller and Le Breton-Miller 2011](#)), entrepreneurship studies have only recently started to employ social identity theory ([Sieger et al. 2016](#); [Powell and Baker 2014](#)). We urge future studies to further incorporate social identity in studying firm creation processes and entrepreneurship outcomes.

Third, we shed light on an important, yet typically overlooked type of entrepreneurs, namely the buyout entrepreneurs. These entrepreneurs typically acquire all or part of an existing venture with the aim of growing or enhancing it and, as such, play an important role in the economy. Policy makers, for instance, estimate that business transfers are as important as startups to the European economy ([European Commission 2021](#)). While the entrepreneurial buyout phenomenon possesses many common threads with new venture creation ([Hunt and Fund 2012](#)), it also has some distinct attributes which makes this context highly relevant to study control preferences. Specifically, this context reduces uncertainties about firm viability and resources and confronts aspiring entrepreneurs directly with the control–value tradeoff. In this sense, other entrepreneurship studies may also benefit from focusing on the buyout entrepreneurs context, whereas this context has typically been neglected in prior research ([Meuleman et al. 2009](#)).

Despite our contributions, our study is subject to limitations that also open up possibilities for future research. The cross-sectional nature of our survey data calls for prudence in the interpretation of the findings as causality cannot be evaluated. We encourage future studies to employ longitudinal research designs to shed further light on the control–value tradeoff. Also, whereas buyout entrepreneurs represent a valuable context to study the control–value tradeoff, the difficulty to identify buyout entrepreneurs results in a rather small sample. Using larger samples to explore the heterogeneity of entrepreneurs’ preferences for retaining control-versus-value creation more deeply is certainly a promising route.

5. Conclusions

In order to obtain a better understanding why some entrepreneurs retain more control over their venture than others, this article analyzes the relationship between the social identity of the entrepreneur and her/his desire for control. This paper sheds new light on a fundamental control decision that entrepreneurs face, that is, the tradeoff between attracting the resources required to build company value and retaining control. Informed by the social identity literature, we contend that the preference to retain control is influenced by the social identity of entrepreneurs. In our logistic regression, we find that buyout entrepreneurs with a strong missionary identity hold a higher desire for control. We do not observe a significant relationship between buyout entrepreneurs having a Darwinian or communitarian identity and the desire to control their venture. When adding the moderating role of the portion of personal wealth the buyout entrepreneur is willing to

invest in her/his venture, the relationships between having a Darwinian or missionary social identity and the desire for control become significantly positive when the buyout entrepreneur is looking to invest a larger portion of her/his wealth.

With this study, we demonstrate for the first time that the social identity of an entrepreneur and the personal wealth she/he wants to invest in her/his venture can be a predictor of her/his desire to control this venture. Moreover, by using a database of buyout entrepreneurs in our analysis, instead of the more commonly researched startup entrepreneurs, we contribute to the knowledge of the buyout entrepreneur, a phenomenon of entrepreneurship which is becoming more and more important given the current ongoing ownership transfer of the baby-boom generation. Using a larger sample of buyout entrepreneurs and/or a longitudinal perspective could certainly further advance the knowledge in this area.

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