Stimulating Social Entrepreneurship: Can Support from Cities Make a Difference?

Author(s): Diane M. Sullivan

Source: *Academy of Management Perspectives*, Feb., 2007, Vol. 21, No. 1 (Feb., 2007), pp. 77-78

Published by: Academy of Management

Stable URL: https://www.jstor.org/stable/4166292

Source: Rajgopal, S., Shevlin, T., & Zamora, V. 2006. CEO's outside employment opportunities and the lack of relative performance evaluation in compensation controls. *Journal of Finance*, 4, 1813-1843.

Stimulating Social Entrepreneurship: Can Support From Cities Make a Difference?

Research Brief by Diane M. Sullivan, Assistant Professor of Management, University of Dayton

Social entrepreneurship isn't about starting a company with a bunch of your friends. Instead, it involves private individuals or organizations pursuing initiatives to address social problems in their communities. Much like "traditional" entrepreneurs, social entrepreneurs identify opportunities that present themselves as problems needing solutions and strive to create effective entrepreneurial teams to solve them. Examples of the types of initiatives social entrepreneurs pursue include activities aimed at reducing illiteracy, solving substance abuse issues, or raising awareness of environmental protection concerns.

Scholars in public administration point to the lack of social entrepreneurship as one of the reasons why communities stagnate. Consequently, it's important to understand how to encourage and stimulate social entrepreneurship, particularly inside struggling cities, where social entrepreneurship can help cities stimulate a healthy economic and social environment for their citizens.

Of course, to improve social entrepreneurship, we need to understand the factors that drive people or organizations to be social entrepreneurs in the first place. As one might expect, scholars are particularly interested in the impact of government in increasing social entrepreneurship. To understand this aspect of social entrepreneurship, Ronnie L. Korosec of the University of Central Florida and Evan M. Berman of Louisiana State University recently conducted a study investigating how governmental support affects social entrepreneurship activities within American cities.

Korosec and Berman focused on three general types of assistance provided by city governments to private individuals or organizations working on social challenges in their communities. Specifically, they examined city assistance in helping social entrepreneurs: 1) acquire resources; 2) deal with coordination and implementation issues associated with their new ventures; and 3) obtain information and/or create awareness of the issues that they seek to address. Korosec and Berman also created an aggregate measure of governmental assistance that included all of the items used to assess these three forms of governmental assistance.

In examining the impact of city assistance (and the prevalence of social entrepreneurs), Korosec and Berman surveyed senior managers of 544 U.S. cities with populations over 50,000. In total, they received responses from 202 of these city managers. The authors then selected a subset of their survey respondents and conducted in-depth interviews with them. In particular, Korosec and Berman asked city managers about: 1) the types of city support provided to social entrepreneurs; 2) whether they felt their cities' support for social entrepreneurship was adequate; 3) what roles they should play as public officials in supporting social entrepreneurship; and 4) the specific strategies used to stimulate social entrepreneurship as well as their effectiveness.

The results were both interesting and positive. In a nutshell, city support matters. Korosec and Berman found that cities providing governmental support for social entrepreneurship appear to have enhanced levels of social entrepreneurship within their communities. Moreover, in communities where higher levels of city support for social entrepreneurship exist, the quality of social entrepreneurship initiatives also seems to be higher relative to cities with lower support. While these results do not mean that local government support is a necessary precondition for social entrepreneurship to exist and be successful in American cities, they do suggest that governmental support enhances both the frequency and quality of social entrepreneurship.

Korosec and Berman note that relatively little research exists about the factors that stimulate social entrepreneurship. As a result, their study sheds important light on what may be a critical piece of the puzzle for stimulating social entrepreneurship—governmental support. Indeed, Korosec and Berman's study suggests that the cities that can somehow harness or encourage social entrepreneurs are more likely to be successful in improving their local environments for both citizens and businesses alike.

Social entrepreneurship is particularly necessary now given the cutbacks in federal and state support to cities across the U.S. Such cutbacks have essentially forced many cities to turn to, if not rely on, social entrepreneurship initiatives as a mechanism for addressing many of the community challenges they face. Indeed, Korosec and Berman note that cities are the big winners when entrepreneurs help address the often thorny and challenging social problems that they face.

Finally, Korosec and Berman's results offer a fascinating roadmap for future research. We need to better understand which types of city support enhance social entrepreneurship initiatives the most. Does the level of support or the nature of the problem being addressed matter? Can cities somehow support the expansion of social entrepreneurship to the point where they can significantly reduce the amount of money spent on major social problems? If so, can they stimulate additional entrepreneurial activity—and the job creation that comes with it—in the process? Clearly, Korosec and Berman's work provides an important and thought-provoking platform, one that future scholars can build on.

Source: Korosec, R.L. & Berman, E.M. (2006). Municipal support for social entrepreneurship. *Public Administration Review*, May/June, 448-462.

Minority Entrepreneurs: More Likely to Try, But Less Likely to Succeed?

Research Brief by Diane M. Sullivan, Assistant Professor of Management, University of Dayton

Minorities make up a larger percentage of the U.S. population than ever before. Consequently, understanding how minority groups can become and remain economically prosperous is increasingly important. Given that entrepreneurship is often a "way forward" for many Americans, it is critical to know how minorities are faring in entrepreneurial activities. Unfortunately, research on minority entrepreneurship consistently paints a gloomy picture.

In general, minority entrepreneurs appear to have lower rates of success than white entrepreneurs in the U.S. To explain this disturbing pattern, researchers have conducted studies linking group differences in entrepreneurial activities to the divergent success of minority and white entrepreneurs. While no study has unequivocally determined the causes of lower success rates for minorities, various explanations have been offered. These explanations include differences in education, age, social context, financial resources, work background, credit market discrimination, and perceptual differences related to start-up decisions.

To provide a more comprehensive explanation for the differences in the entrepreneurial activities of minority and white entrepreneurs, Philipp Köllinger of the German Institute for Economic Research (DIW Berlin) and Maria Minniti of Babson College conducted a study using the 2002 Global Entrepreneurship Monitor survey of the U.S. population. Köllinger and Minniti studied differences between black and white American entrepreneurs in socioeconomic, demographic, and perceptual variables related to entrepreneurial activity. They then examined how these variables impacted the pursuit of entrepreneurial activity, as well as rates of success for black and white entrepreneurs who were in different stages of entrepreneurial development. These entrepreneurial stages included individuals who were *nascent entrepreneurs* (people in the process of starting a business), *baby business owners* (owners who had paid wages for 3-42 months), and *established business owners* (owners who had paid wages or posted profits for at least 42 months). While they presented no formal hypotheses, Köllinger and Minniti felt that by examining their set of variables simultaneously, they could provide new information on the factors associated with the differences in entrepreneurial start-up activities and survival rates between black and white entrepreneurs.