

# **Social Entrepreneurship in residential neighbourhoods: mutual benefits through local links?**

## **Author**

M. de Beer

*Department of Human Geography and Spatial Planning, Faculty of Geosciences, Utrecht University, the Netherlands*

PRELIMINARY DRAFT, PLEASE DO NOT CITE OR QUOTE  
To be presented at 57<sup>th</sup> ERSa CONGRESS Groningen, 2017

## 1. Introduction

Over a decade now, urban residential neighbourhoods in the western world are rediscovered as important economic areas. ICT developments as well as shifts in economic sectors towards service and knowledge based activities have facilitated the rise of businesses in homes and neighbourhoods. These firms are often small and medium-sized enterprises (SMEs) (Folmer & Risselada 2013). The presence of these local entrepreneurs is thought to lead to sustainable and liveable neighbourhoods (Jacobs 1961). However, their actual impact remains unclear as there is a lack of studies focussing on the interactions of entrepreneurs with their local environment (Müller 2016). This paper contributes to the literature by looking at the interplay between entrepreneurs and the local context, and more specifically, at commercial entrepreneurs located in residential neighbourhoods in the Netherlands. I argue that the relation between these entrepreneurs and their local environment is mutually reinforcing. On the one hand, the local environment can offer context specific resources for entrepreneurs, such as affordable business premises or can serve as a source of network contacts (Reuschke & Houston 2016). On the other hand, the presence of businesses and entrepreneurs may be beneficial for the neighbourhoods in which they are located, not only through the provision of goods and services or the creation of jobs, but also through their involvement in addressing social problems and creating social change – albeit on a local scale (Campin et al. 2013). And this kind of civic engagement is especially important in times of decreasing government investments and economic austerity, such as during the economic crisis between 2008 and 2012 (Lumpkin et al. 2013; Seelos et al. 2011). Therefore, this paper studies to what extent neighbourhood-based entrepreneurs are pursuing social value creation and what drives them to do this. Additionally, I look at the influence of the local environment on the entrepreneurial activities located there by focusing on the entrepreneurial social networks.

It is interesting to study the relationship between neighbourhood-based entrepreneurial activities and the local context as this spatial level is important in the sense-making and shaping of both the private and business activities of entrepreneurs (Johannisson 2011). Following Steyaert & Katz (2004), Johannisson (2011) and Trettin & Welter (2011) entrepreneurship should be seen as consisting of everyday activities taking place in different and overlapping sites. Of these the local socio-spatial relationships and interactions on the neighbourhood level are closest to the daily life of an individual entrepreneur. This especially holds for the entrepreneurs on which this paper focuses: neighbourhood-based entrepreneurs. Because of their business location these neighbourhood-based entrepreneurs spend a large part of their daily lives in a certain local environment. This may lead them to become strongly embedded in that environment, as they meet and interact with other local businesses and residents. Moreover, this local embeddedness may drive their involvement in activities towards social value creation (McKeever et al., 2015). The degree to which the relationship between these local economic actors and their environment is mutually reinforcing, is studied using the following question:

*How important is the local context as a source of social contacts for neighbourhood-based entrepreneurs and to what extent are these entrepreneurs in turn involved in social value creation within their local environment?*

The research question can be divided into two parts. The first part has to do with the way the local environment can influence the businesses located there. Although there are many different ways entrepreneurship can be influenced by local conditions, this paper is limited to discussing the presence of and access to network contacts. I study to what extent the neighbourhood serves as a source of network contacts for the entrepreneurs. This is related to the ongoing discussion in the entrepreneurship literature on the importance of social networks and social capital for firm development and firm performance (Hoang & Yi 2015). Through their network contacts entrepreneurs can gain resources they themselves lack, such as financial capital, information or cooperation partners. And this can be an important strategy for the type of small scale business which are central in this paper, as they often have a smaller internal resource base compared to larger firms (Ozdemir et al. 2016).

The second part of the research question is related to the way entrepreneurs and firms may contribute to the local environment in which they are present. This paper focuses on the Netherlands, where in the period between 1999 and 2006 over 35% of all firms in urban areas was localized in residential districts (Raspe et al. 2010). For many of these local entrepreneurs, the residential neighbourhood has become a place of both living and working. Through this 'everydayness of entrepreneurship' (Johannisson 2011) the private and business lives of these entrepreneurs are likely to become increasingly intertwined over time. Also, the private and business networks of owners of SMEs are often more entwined in comparison to larger firms (Spence 2014). Furthermore, these entrepreneurs often also live either at the same address or in close proximity to their firms, making the local environment also an important context in their daily private lives (Steyaert & Katz 2004). In turn, this may also stimulate their pro-social behaviour towards the local environment. All these abovementioned arguments make small-size business owners interesting to study, particularly when focusing on their relationship with the local environment.

This paper is structured as follows. The next paragraph deals with the theoretical framework of the paper, in which insights from economic geography, social capital theory and social entrepreneurship are combined. In the third paragraph the methodology underlying the research is explained and paragraph four is dedicated to the preliminary findings. Finally, the first conclusions and limitations of the paper are discussed, as well as avenues for future research.

## 2. Theoretical Perspective

This paper brings together concepts from the literature on economic geography, social networks and social entrepreneurship. The relationship between economic actors and their environment is one of the main foci in economic geography. Every form of economic action is embedded in certain social and geographic spheres, as entrepreneurs are linked to other persons and places through their social contacts and networks (Korsgaard et al. 2015; McKeever et al. 2014a). McKeever et al. (2014b, p. 228) call this the 'socialised view of firm performance', by which they mean that entrepreneurs use their social context to select, identify and obtain resources. Through their social contacts entrepreneurs can get access to support, information, financial capital and other resources, which in turn are important for firm development and firm performance (McKeever et al. 2014b). Furthermore, entrepreneurs create value to the environment through their business activities, making the relation between entrepreneurship and the environment potentially mutually reinforcing. This paragraph discusses some theoretical perspectives which are used as framework for the empirical analyses.

### **Drawing resources from the local environment**

There is abundant theoretical and empirical work on the importance of social networks for entrepreneurs and their firms (Westlund & Adam 2010). Network contacts can be extremely valuable to entrepreneurs as through their networks they can get access to resources and useful information for their firm, which in turn can be used for opportunity recognition, firm development and firm survival (Hoang & Yi 2015). This resource-based view on relationships is commonly referred to as the social capital perspective (Adler & Kwon 2002; Stam et al. 2014). Social capital is thought to be important for businesses in all sizes and shapes, but especially SMEs can benefit from the access to additional resources through their social network contacts. The internal resource base of SMEs, and this particularly holds for firms of solo-entrepreneurs, tends to be smaller compared to larger firms. Consequently, the networks of SMEs can be of considerable importance for firm development, as they enable access to resources the firms do not possess themselves (Ozdemir et al., 2016). Social capital can therefore be seen as a counterweight to the so-called 'liability of smallness' (Brüderl & Schussler, 1990).

When linking social capital to a specific geographical sphere, the local context can intuitively be expected to form an important source of network contacts and consequently also social capital for entrepreneurs as this is the scale where daily life and daily interaction take place (Westlund & Bolton 2003; Steyaert & Katz 2004; Bailey 2015). The neighbourhood-based entrepreneurs on which this paper focuses, are thought to be able to build up strong local relationships due to their frequent presence in the neighbourhood, as they both live and work within the same local environment and therefore spend the majority of their time in that area. This can be related to the different forms of proximity as introduced by Boschma (2005). In the building up and development of social contacts (and consequently the exchange of social resources) different forms of proximity, ranging from physical proximity to institutional, cognitive and social proximity, play an important role (Boschma 2005). The latter forms of proximity are network-bound; entrepreneurs have higher trust relations with other persons and firms with whom they often interact and cooperate. Moreover, spatial proximity within the local environment facilitates face-to-face contact and consequently the building of trust between the entrepreneur and local network contacts (Boschma 2005). In turn, this notion can be linked to the large literature base on the quality of a relationship (e.g. strong versus weak ties) and the consequent outcomes for firm performance (Semrau & Werner 2014). Although no consensus exists on the subject, it is often argued that strong personal relationships facilitate the easy exchange of resources between network contacts (Lechner & Dowling 2003). And I argue that this strategy of the building of strong local ties may be prominent amongst neighbourhood-based firms, as their presence in the neighbourhood enables the building and continuation of local relationships through frequent contact. As these entrepreneurs work and live in the same local environment, both their private and business lives are linked to this neighbourhood context, making them more likely to have many local network contacts (Johannisson 2011; Sleutjes & Schutjens 2012).

### **Giving back to the local environment?**

These strong local relationships are thought to be related to the impact these entrepreneurs might have on their local environment. As argued in the introduction of this paper, entrepreneurial activities are not only influenced by but also leave their mark on the contexts where they are present. However, the majority of the research on the impact of entrepreneurial activities focuses on the national or regional level (e.g. Fritsch & Storey 2014), with studies looking at the impact on the local level being underrepresented (Trettin & Welter 2011). One of the few exceptions is the study by Kilkenney et al. (1999), who study the reciprocated relationship between businesses and the small-town communities in which these firms are active. Kilkenney et al. (1999, p. 232) argue that businesses can contribute to their local community in several ways. Starting with value creation in economic terms, the authors mention the deliverance of certain goods and services to the local environment to which there might have not been access to before (Davidsson 2016) or the social benefits of local job creation. Similar outcomes are mentioned by Risselada & Folmer (2012), who studied firms located in urban residential areas in the Netherlands. They found that especially small-sized firms are important creators of local employment, as one third of these firms employ local personnel. Notwithstanding these examples there is a lack of studies focusing on the value creation of entrepreneurial activities towards the local environment in particular. Therefore, this paper hopes to add to the existing literature base.

According to Zahra et al. (2009) different gradations of value creation exists; with purely commercial entrepreneurship occupying one end of the spectrum and entrepreneurial activities wholly dedicated to social value creation occupying the other. Here in this paper, I primarily focus on the potential social impact of neighbourhood-based entrepreneurs to their immediate surroundings. When discussing this local social value creation, an important distinction to make is whether this social value creation is purposeful, i.e. whether it is a main goal of the entrepreneur or more 'a by-product' of the entrepreneurial activity. In the former case, where social value creation is the main goal in the business model, the literature usually speaks of social entrepreneurship (Zahra et al. 2009). Although there is no universally accepted definition of social entrepreneurship, most of the current literature agrees on the fact that there has to be a primarily social goal in order to call it 'true' social entrepreneurship. If not the case, the entrepreneurial endeavour is considered to be commercially-driven. The distinction between social and commercially-driven entrepreneurship however does not exclude commercial entrepreneurs from potential social value creation (Mair & Marti 2006). According to Dacin et al. (2011) all businesses have to take into account both the social and economic interests of not only themselves but also of their stakeholders. While entrepreneurs may have different reasons for their pro-social behaviour, ranging from personal profit-maximization to welfare-oriented goals, they can still create social value (Schmitz & Schrader, 2015). Therefore, it is interesting to study the social value creation of the growing group of neighbourhood-based entrepreneurs and their businesses. The literature on social entrepreneurship forms a useful source of information and insights into this potential entrepreneurial social value creation.

There are numerous studies that discuss ways to measure social-value creation of businesses towards their (local) environments and the corresponding difficulties in doing so (e.g. Smith & Stevens 2010; Lumpkin et al. 2013). A well-known example is the work by Zahra et al. (2009), who discern three types of social entrepreneurs based on how each group tries to pursue 'social opportunities' and the way they impact society via social change. The three types also differ in the range of their impact, with the first type of social entrepreneurs, the 'social bricoleurs', focussing on small-scale local change. At the other end of the spectrum, the third type of social entrepreneurs, the so-called 'social engineers', are agents of systematic change. The 'social constructionists', as the second type, are placed somewhere in between the other two (Zahra et al. 2009). Because of their assumed strong links with the local environment, the neighbourhood-based entrepreneurs central in this paper are most likely to resemble the group of 'social bricoleurs'. As these locally-based entrepreneurs both live and work in the same neighbourhood, they might be more aware of both social problems and opportunities that are manifest locally. Consequently, neighbourhood entrepreneurs may play an important part in improving and maintaining neighbourhood liveability and solving local social problems. The extent to which their

social networks is locally oriented, i.e. whether they have many local network contacts, might also play an important role.

When considering the specific ways in which entrepreneurs can create social value, Santana (2013, p. 778) offers an useful enumeration of examples. According to Santana activities towards social value creation range from financial or material assistance, such as cash donations or sponsorships, to more psychological help, such as leadership or the creation of an entrepreneurial attitude (Kilkenny et al. 1999; Santana 2013). Other examples of firm contributions are volunteering activities by the entrepreneurs (and their employees) or partnerships between the entrepreneurs and public actors (Santana 2013). These examples of monetary donations or volunteering are to some extent recognizable effects, but in many other cases the firms' impact might be indirect or less 'visible'.

Steenbeek et al.(2012) for instance looked at the extent to which businesses and their employees play a role in controlling and preventing disorder in their local neighbourhood context. The authors found a positive relationship between the firm presence in a neighbourhood and the level of neighbourhood disorder, which means that these businesses might have a positive effect on the liveability in the neighbourhood (Steenbeek et al. 2012). Other examples of indirect social effects are the creation of an entrepreneurial culture, as through their presence the entrepreneurs can act as role models (Malecki 2009; Andersson & Larsson 2014), or that the firms may become local meeting places and thereby stimulating social contact (Schutjens & Volker 2010).

The abovementioned findings show that social value creation might be more or less 'visible'. This is in line with the argument by Schutjens & Steenbeek (2010), who state that entrepreneurs can bring social value to their local environments in two ways; a direct and indirect way. The latter has to do with certain facilities entrepreneurs and firms present in the neighbourhood can offer to its inhabitants, such as the creation of local meeting places or different amenities and services that firms might offer (Schutjens & Völker 2010). The former, direct way of social value creation mentioned by Schutjens & Steenbeek (2010) is related to the attitude of entrepreneurs and their actual actions targeted towards social value creation. In this current research, the interviews with neighbourhood-based entrepreneurs, as part of the qualitative research, are used to gain more insights into these direct actions and attitudes towards social value creation. This also links to the literature on drivers of pro-social behaviour, which is left out of the discussion in the paper for sake of focus (for instance, see Hockerts 2017).

### **A mutually reinforcing relationship**

In an attempt to bring the abovementioned insights together, I argue that the owners of the firms located in residential neighbourhoods, with their closely interconnected personal and business lives, are more likely to becoming socially embedded in their local environment in comparison to fellow entrepreneurs without this close private-business connection. Being embedded in a social context allows these entrepreneurs to find and draw resources from the local context, thereby benefiting their firms (McKeever et al. 2014b). At the same time, the actions of the entrepreneurs feed back into the contextual structures in which they are active, which leads to a mutually influencing relationship between entrepreneurial actions and the spatial context (Jack & Anderson 2002). Therefore, the strong connection of the neighbourhood-based entrepreneurs to the local environment is likely to positively influence the way they feel and think about creating more than economic value through their business activities. In other words, it may influence their stance towards social value creation. It is my expectation that 1) neighbourhood-based entrepreneurs are in some way active in creating local social value and 2) that entrepreneurs who both live and work in the same local environment are more prone towards pro-social behaviour compared to entrepreneurs with only their firms being located in a certain neighbourhood whilst they themselves live elsewhere. The empirical research presented in the remainder of this paper has been conducted in order to shed more light on these matters and explore to what extent the expectations are valid.

In this exploration of the relation between neighbourhood-based entrepreneurs and their local environment the influence of the neighbourhood context is also taken into account. Certain features of the neighbourhood context, for instance low liveability scores or high crime rates, may bring about more involvement in social entrepreneurship activities (Steenbeek et al. 2012). Also,

social attributes of the local environment can play a role. Next to supportive communities, which stimulate social entrepreneurship, the lack of community action can also lead to the development of social entrepreneurial initiatives, for instance in neighbourhoods where 'institutional voids' exist (Maïr and Marti 2009). These characteristics are taken into account in the empirical analyses.

### 3. Data and methods

This paper adopts a mixed-method approach as quantitative and qualitative methods are combined. The choice for this combination is mainly driven by data-availability and the type of data necessary to answer the research question. For the quantitative analyses, data are available from a large survey on the social networks of Dutch neighbourhood-based entrepreneurs. Using this data allows me to gain insights into the importance of the neighbourhood environment for these entrepreneurs in terms of the number of network contacts they draw from their local context. The way these data are collected, is explained in more detail in the following paragraph.

However, the quantitative data are limited in information regarding the impact these entrepreneurs have or may have towards the local environment. Therefore, in-depth interviews are conducted with a number of neighbourhood-based entrepreneurs to explore to what extent they are involved in local social value creation. This qualitative part of the research is discussed in the second half of this method section.

#### The Survey on the Social Networks of Entrepreneurs

The quantitative analyses in this paper are based on data from the second wave of the Survey on the Social Networks of Entrepreneurs (SSNE2), which was conducted in 2014. The SSNE is an extension of the Survey on the Social Networks of the Dutch (SSND), which focuses on the social networks of inhabitants in Dutch neighbourhoods (Völker & Flap 2002). Where the SSND looks at all inhabitants, the SSNE focuses only on entrepreneurs who both live and work in the same neighbourhood. Following the research design of the SSND, the SSNE is held twice, first in 2008 (SSNE1) and again in 2014 (SSNE2), both times in the same 160 neighbourhoods that were already sampled and used in the SSND. These neighbourhoods are located all over the Netherlands and range from rural to highly urbanized. Entrepreneurs in the sampled neighbourhoods were first contacted by telephone and asked whether they also lived within that neighbourhood or within walking-distance (10-minute walk) of their firm's location. If this was the case, they could participate in the questionnaire. In total, 357 entrepreneurs were interviewed in the SSNE2 in a total of 140 neighbourhoods<sup>1</sup>.

In line with the SSND questionnaire, a number of research methods was applied to collect the network data for the entrepreneurs in the SSNE. The most important one for this paper is the name-generating method, through which detailed information on the social networks of the entrepreneurs is collected. The name-generating question that are used in this paper can be found in Table 1. In this paper I take into account network contacts used for private or businesses purposes, for instance emotional support or practical help with the firm, and inter-firm cooperation contacts. In total over 1500 contacts used for private and business purposes were mentioned.

Table 1: The four name-generating questions

Name-generating question	Individuals could be mentioned	Firms could be mentioned
With whom did you discuss important personal matters during the last six months?	x	
If you are doing an odd job at home and you need someone to give a hand, e.g., to carry furniture or to hold a ladder, whom do you ask for help?	x	
With whom did you discuss important matters regarding your firm and its development during the last six months?	x	
If you are doing odd jobs regarding the firm and you need someone to give a hand, e.g., to carry furniture or to hold a ladder, whom do you ask for help?	x	x
With which firm does your firm cooperate formally on a frequent basis		x

Source: SSNE1 and SSNE2 (cf. Burt, 1984; Marsden, 1987; Bailey and Marsden, 1999)

Next to the extensive information on entrepreneurs' social networks, the data also include information on the firm performance and characteristics of the firm (such as its sector, age, size, turnover development, etc.), as well as the local market orientation of the firm. Also, in-depth

<sup>1</sup> Only in 140 of the 161 neighbourhoods entrepreneurs could be found that fit the requirements of the SSNE.



information on the entrepreneur himself or herself is available, such as the age of the entrepreneur, level of education or previous experiences with running a business. Moreover, the survey includes some indicators of social entrepreneurial behaviour. For instance, there is information on the self-efficacy of the entrepreneurs. With this self-reported score, I can explore the potential pro-social behaviour of the entrepreneurs (Steenbeek & Schutjens 2014). This was done by estimating an ordered logistic regression model with 'the willingness to act' as the dependent variable. This dependent variable was constructed using the answers of the entrepreneurs on two questions regarding their willingness to act when they witness cases of disorder or crime in the neighbourhood. In answer to both questions their answers could range from 'very unlikely' to 'very likely' to act. This information in turn was used to construct the categorical dependent variable 'willingness to intervene'.

Finally, the SSNE2 data offer information on the social neighbourhood context, namely on social cohesion and collective efficacy. Social cohesion has to do with interaction between neighbourhood residents and a shared sense of belonging and trust. Collective efficacy can be defined as social cohesion among neighbours combined with the collective willingness to intervene on behalf of the common good (Sleutjes et al. 2012). Both social cohesion and collective efficacy are used in analyses with regard to the number of local contacts and the willingness to intervene. The output of these analyses are used to paint a first and very tentative picture of the potential local social value creation of these neighbourhood-based entrepreneurs. However, more in-depth information on this matter is necessary in order to get a better idea of the pro-social behaviour of local entrepreneurs.

### **In-depth interviews on local social value creation**

The qualitative part of the empirical research seeks to investigate the social entrepreneurship aspirations and activities of entrepreneurs located in residential neighbourhoods. In order to do so, in-depth interviews with a number of entrepreneurs are (and will be) conducted. This part of the research is currently underway (June 2017).

With the interviews I seek to investigate the aspirations and activities of neighbourhood-based entrepreneurs towards local social value creation. With regard to these social entrepreneurial activities, the definition of 'social bricoleurs' by Zahra et al. (2009) is used. This means that I primarily look at the involvement of this group of entrepreneurs in small-scale and locally-focused activities, such as improving the quality of public spaces by picking up litter or creating green spaces, or volunteering in local initiatives. Furthermore, when studying social value creation I make use of the enumeration by Santana (2013) with regard to specific activities that can be seen as creating local social value. These activities are the following: "a) corporate giving or corporate philanthropy (e.g. financial donations and in kind giving such as goods or services); b) volunteerism by business-owners and firm employees; c) sponsorships or practices whereby the business contributes to a social agency in return for the right to use the organization's name in its advertising; d) self-enlightened forms of marketing; advertisement of the firm's own product or services through supporting a social initiative; e) donation of equipment; f) civic-society partnerships as a response to an 'institutional void'; g) public-private partnerships; h) sponsoring of foundations by a firm" Santana (2013, p. 778).

The selection of participants for the interviews is based on two criteria. Firstly, the aim is to select entrepreneurs located in contrasting neighbourhoods with regard to local liveability scores. By doing so, I am able to make a comparison between different social contexts and explore this contextual influence on the social value creation of the entrepreneurs. Certain features of the neighbourhood context, for instance low liveability scores or high crime rates, may bring about more involvement in social entrepreneurship activities. Also, social attributes of the local environment can play a role. Where supportive communities may stimulate social entrepreneurship, the lack of community action can also lead to the development of social entrepreneurial initiatives, for instance in neighbourhoods where 'institutional voids' exist (Mair and Marti 2009). For this purpose, I use data on neighbourhood level social cohesion and collective efficacy, obtained from the SSND 2014. Secondly, I draw a comparison between two groups of entrepreneurs. The first group consists of entrepreneurs who also live in the same neighbourhood where their firm is located. The second group contains of entrepreneurs who live outside the

neighbourhood of their firm's location. This allows the comparison between entrepreneurs who are potentially strongly embedded, through both their private and business lives, and the potential contrasting group of entrepreneurs who are linked to the local environment only on the business side.

After a thorough selection process, five neighbourhoods are selected as the case studies sites. These are two neighbourhoods in the city of 's-Hertogenbosch and three neighbourhoods in Amersfoort, both in the Netherlands. These five neighbourhoods have been selected on basis of secondary data, among which the abovementioned SSND and SSNE. This means that these neighbourhoods were also part of the SSND and SSNE surveys in the past. By doing so, I can link the current qualitative research to quantitative data from both neighbourhood-surveys (SSND and SSNE). Next, firm address data is used to select the sample of participants for the research. After excluding educational and health care institutes a total of 244 potential participants are left in the five research neighbourhoods. These potential participants are contacted first by email, afterwards they receive reminders via postal mail and telephone. Where possible, the entrepreneurs from the first group (i.e. both living and working in the neighbourhood) are linked to participants from the second group (i.e. only working in the neighbourhood) following the matched-pair method. Entrepreneurs from different groups are matched on firm sector, in order to control for sector differences which may be an important factor in the pro-social behaviour of the entrepreneurs.

As the process of contacting potential participants and conducting the actual interviews is still currently underway, no statements regarding the total number of participants and the non-response rate can be given at this time. The interviews that are conducted generally take around 60 minutes and are recorded using audio-equipment. The design of the interviews is semi-structured, which leaves enough room for the participants to voice their own ideas, opinions and notions (Neergaard & Ulhøi, 2007). A list of topics for discussion is used in order to secure uniformity between the different interviews. These topics range from the actual pro-social behaviour of an entrepreneur to the embedding of the entrepreneur in the local environment, both privately and regarding the business.

## 4. Preliminary findings

As mentioned in the previous paragraph, the empirical research underlying this paper is still work in progress. Therefore, the findings presented in this paragraph are very preliminary and this especially holds for the outcomes of the in-depth interviews.

First, the outcomes of the quantitative data analyses are discussed, whereby the focus is on the social networks of the Dutch neighbourhood-based entrepreneurs and the extent to which their networks are locally based. This part of the empirical research is aimed at studying how the local environment influences the neighbourhood-based firms. Second, some first insights derived from the qualitative research are presented. The outcomes of the qualitative research together with some insights from the SSNE data are used to shed light on the potential for local social value creation of neighbourhood-based entrepreneurs.

### The importance of local network contacts

The 2014 survey of the SSNE (SSNE2) offers information on the social networks of a total of 357 entrepreneurs. As a start, I examine the importance of the neighbourhood context in terms of social network contacts. From the SSNE 2014 a picture can be drawn of the importance of the local context as a source of network contacts for the entrepreneurs. Table 2 shows information on different network contacts the entrepreneurs have mentioned in the SSNE2 in answer to the different name-generating questions. Network contacts can be used for more than one purpose, e.g. for private and business purposes, which is also shown by the number of overlapping contacts. As can be seen in Table 2, around 24% of all the contacts that are mentioned is a local contact, meaning that these network contacts reside in the same neighbourhood context. Zooming in, it is clear that the majority of the local contacts are contacts used for private matters (327 of 363 contacts). A third of all the private contacts comes from the local environment, making this an important source for getting advice and help on private matters. The local environment is less important for contacts on business related matters, as only 11% of all contacts used for business matter is a local contact. Apparently these contacts are not locally sought nor found. Interestingly, inter-firm cooperation on the local level is almost non-existent. This may suggest that firms are unable find the cooperation contacts they might need within the local environment, or they might not be aware of the presence of these potential cooperation partners.

Table 2: Number of total and local network contacts mentioned

Number of contacts	Total	Local	% Local contacts in terms of the total number of contacts
Total	1539	363	24%
Private matters	998	327	33%
Business matters	675	68	11%
Overlap (private and business)	335	32	10%
Inter-firm cooperation	396	1	0,3%
Number of entrepreneurs	357		

Source: SSNE2

As a next step, I consider at the potential effect of the social neighbourhood environment on the number of local contacts per entrepreneurs. However, no effects are found for either the score on collective efficacy or the social cohesion on the number of local contacts (findings available upon request). Moreover, the neighbourhood score on collective efficacy and social cohesion also have no effects on the total number of network contacts.

So in conclusion, the local context is found to be an important source of network contacts used for private purposes, but much less so for business related contacts. This seems to suggest

that local environment is primarily the private living environment of the entrepreneurs and less used for their business contacts. This finding even holds when looking at entrepreneurs whose business activities specifically target the local environment. This group even seems to have relatively less local contacts compared to the entrepreneurs who are not focused on the local market.

### **Willingness to intervene in local issues**

The survey data from the SSNE on the willingness of the entrepreneurs to act in situations of neighbourhood disorder and crime can be used to get a first idea to what extent the neighbourhood-based entrepreneurs are involved in social value creation (see Appendix I). From a basic regression analysis it becomes clear that the neighbourhood-based entrepreneurs are more likely to intervene in crime related situations than in situations of disorder, which is an intuitive findings. However, more than half of the entrepreneurs states that they are likely or very likely act in case of either disorder or crime. Of course, potential socially desirable answers have to be considered here. Nonetheless, this finding is a positive sign for the potential pro-social behaviour of these entrepreneurs.

Interestingly, when regarding the factors that influence the propensity of entrepreneurs to intervene in situations of local disorder or crime, the collective efficacy score is found to have a positive effect on the chance that entrepreneurs will act. In other words, if other neighbourhood residents are likely to intervene, the entrepreneurs themselves will also do so. Social cohesion on the neighbourhood level on the other hand has a negative effect on the propensity of entrepreneurs to intervene. It might be the case that when the social bonds are too strong, the entrepreneurs are afraid to speak their minds or they prefer to turn a blind eye to keep the local relationships intact.

Finally, the urbanization level of the neighbourhood in question also seems to matter, with entrepreneurs living in less urbanized areas to have a higher willingness to intervene. The other factors that are controlled for do not seem to have a significant effect.

### **Two groups of neighbourhood-based entrepreneurs**

Moving on to the qualitative part of the empirical analysis: the in-depth interviews. The first interviews that have been conducted give a mixed image of the potential social value creation of the neighbourhood-based entrepreneurs. Broadly speaking, the entrepreneurs who have been interviewed fall into two groups. The first group is comprised by entrepreneurs who are only located in a specific neighbourhood for practical reasons, for instance because they were already living there when starting their firm or because they found a suitable business premises in the neighbourhood. Apart from locating their business in the neighbourhood, their interaction with the local environment remains very limited and they are satisfied with this situation. The social value creation of this group can be expected to remain low or even non-existent, at least with regard to their local neighbourhood context.

The second group consists of entrepreneurs who feel to have a double role within their neighbourhood. Many of these entrepreneurs work from their own homes, making them both a resident and an entrepreneur within the same neighbourhood environment. As one of the entrepreneurs explained, this leads them to have “two pairs of eyes” figuratively speaking. On the one hand, they look at their neighbourhood from the point of view of a ‘regular’ resident, whilst at the other hand they see the local environment as being part of their business environment. This, in turn, makes them attentive towards small-scale local issues, such as the outward appearance of the street. One of the participants in the interviews explained that she would normally never clean the sidewalk in front of her house, but as she also has her office at home, she is more inclined to make sure the surroundings of her house are neat and clean. She wants to leave a good impression when clients come to visit. Another entrepreneur explained she thinks it important that her business is connected to her neighbourhood and she wants to contribute to the local liveability through her firm’s activities. For example, she organises meetings at her business location where neighbourhood residents can meet each other as a means to combat loneliness amongst elderly residents.

When considering this second group of 'socially committed' entrepreneurs, some common insights can be drawn from the first interviews. The first has to do with the presence of the entrepreneurs in their neighbourhoods. Many of the entrepreneurs in this group are home-based firms (i.e. they work from their own homes), therefore they also spend a considerable amount of time within the neighbourhood context. According to the interviewees this is an important reason why they have a good notion of what is going on in the neighbourhoods and they also know a lot of local people. Consequently, they feel strongly connected to their local environments and this in turn drives their pro-social behaviour towards the neighbourhood. Some participants state they not only feel part of their neighbourhood environments but they also feel a responsibility to keeping it clean, safe and socially interconnected.

The second insight from the interviews is related to specific business activities of the entrepreneurs, particularly regarding the importance of the local context as their market areas. The entrepreneurs who are dependent of the local neighbourhood as their customer base also feel more responsibility towards "giving back". One entrepreneur explained that he feels it to be "his duty" to reinvest some of his firm's profits in the local environment, as he believes that the neighbourhood should also profit from his business success. Although this might be a quite extreme example, other interviewees also state that they want 'to share' their business success with the local environment. Ways in which they do so include sponsoring local social activities or block parties, giving away free products to local residents or contributing in kind to local foundations or activities.

The third, and for the present, final outcome from the interviews has to do with the personal traits of the entrepreneurs in combination with their pro-social behaviour. A couple of interviewees mention that their involvement with the local environment results from both their position as an neighbourhood-based entrepreneur and their personal interest in "doing good". As one entrepreneur explained she "likes to interact with other people, bring people together and work on a common goal". In this specific case, this means she cooperates with other neighbourhood residents appealing against certain plans of the city council, which they feel to have negative consequences for their neighbourhood as a whole. The entrepreneur in question is involved in this 'action committee' because her firm has an interest in this matter, but also because she feels she needs to speak out personally. In another example, the entrepreneur mentioned her personal drive towards social value creation to be the most important reason why she wants to reach out to the neighbourhood environment and create an added value. The literature on personal traits and personal drivers on pro-social behaviour is not discussed in this paper, but might have to be added to the theoretical perspective in the future in order to get the complete picture of the potential social value creation of entrepreneurs.

## 5. Conclusion and discussion

This paper has looked at the relation between neighbourhood-based entrepreneurs and the local environment in which they are located, both privately as residents and professionally as entrepreneurs. Insights from the social capital theory on the importance of social networks as a means of gaining access to different types of resources are used in exploring to what extent entrepreneurs use their local social environments for firm development. It was expected that the local environment is an important source of network contacts for the entrepreneurs, as they are likely to be strongly embedded to the neighbourhood context (McKeever et al. 2014b). Interestingly, the preliminary outcomes portray a mixed image of the importance of the neighbourhood as a source of network contacts. The neighbourhood-based entrepreneurs primarily tend to draw network contacts used for private purposes from the local environment. Contacts used for business purposes are only very limitedly found within the local context, and even more extremely, there was only one mention of a local inter-firm cooperation contact. These findings seem to suggest that the neighbourhood mainly is important in the private lives of the entrepreneurs, in their position as neighbourhood residents. For business-related network contacts the entrepreneurs look beyond the local environment. Thus, in an attempt to answer to first part of the research question, the neighbourhood environment is primarily a source of network contacts used for private purposes and to a very limited extent is also used as a source of business-related contacts.

The second part of this paper is focused on the potential impact the neighbourhood-based entrepreneurs can have on their local surroundings. In the theoretical perspective, insights from economic geography and the upcoming field of social entrepreneurship are combined in order to come up with some assumptions regarding the potential social value creation of this group of entrepreneurs. By doing so, I hope to shed more light on the relevance of locally-based entrepreneurs to their local environment. The first findings from the SSNE data show that the entrepreneurs are willing to intervene in their neighbourhoods, but differences are found when comparing neighbourhoods with different scores for collective efficacy and social cohesion. Although I am aware that self-efficacy or the willingness to intervene is a very limited measure to test actual behaviour, it does give a first clue to what is going on here. The same applies to collective efficacy and social cohesion. Although these are also very crude measures, they can be used as a means of exploring to what extent local social value creation might exist.

Furthermore, the findings taken from the SSNE data are to some extent in line with the first impressions of the qualitative research. In the interviews, one group of entrepreneurs talk about their 'double role' within the neighbourhood and the corresponding responsibilities they feel to have. It suggests that having entrepreneurs being present within a residential neighbourhood has an added value to the local environment as a whole, even if these entrepreneurs only have little business-related contacts within the neighbourhoods. In other words, although the entrepreneurs may not use the neighbourhood context for their businesses, they still feel locally connected which makes them want to 'give back' to the local environment. Moreover, this process of 'giving back' might mean that the entrepreneurs contribute time, money, goods or services to their neighbourhoods, but it might also be the case that they contribute in less tangible resources, such as trust or cohesion. This is related to the discussion of direct and indirect ways of social value creation (Schutjens & Steenbeek 2010).

However, as the research is still work in progress, the findings in this paper are still provisional. Moreover, the outcomes of the first interviews show that there is also a group of participants who state to feel no 'special' connection to their local environment and who are not involved in local social value creation in any way. They are content with the local context as a business location, but nothing more. It will be interesting to explore this group in more detail in order to try to understand this relation to the local environment. It might for instance be the case that their social networks are not locally based and they therefore have no particular interest in their local environments. Also, their specific business activities may also play a role, as they for instance may not rely on local customers. These and other explanations will be explored once the empirical research is finished.

Additional interviews must be held in order to gain more insights into the actual social value creation of the group of Dutch neighbourhood-based entrepreneurs. At this stage, it is also too soon to discuss avenues for future research. However, the first tentative explorations discussed in this paper give reason to expect that for some part of the group of neighbourhood-based entrepreneurs the relationship with their local context may be mutually reinforcing.

## References

- Adler, P. S., & Kwon, S. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17–40.
- Andersson, M., & Larsson, J. P. (2014). Local entrepreneurship clusters in cities. *Journal of Economic Geography*, 16, 1–14.
- Austin, J., Wei-Skillern, J., & Stevenson, H. (2006). Social and commercial entrepreneurship: same, different or both? *Entrepreneurship Theory and Practice*, 30, 1–22.
- Bacq, S., & Janssen, F. (2011). The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria. *Entrepreneurship & Regional Development*, 23(5-6), 373–403.
- Bailey, N. (2015). The place of neighbourhood in entrepreneurship. In C. Mason, D. Reuschke, S. Syrett, & M. van Ham (Eds.), *Entrepreneurship in Cities: Neighbourhoods, Households and homes* (pp. 19–38). Edward Elgar Publishing, Inc.
- Boschma, R. (2005). Proximity and Innovation: A Critical Assessment. *Regional Studies*, 39(1), 61–74.
- Brüderl, J., & Schussler, R. (1990). Organizational Mortality: The Liabilities of Newness and Adolescence. *Administrative Science Quarterly*, 35(3), 530–547.
- Campin, S., Barraket, J., & Luke, B. (2013). micro-Business Community Responsibility in Australia: Approaches, Motivations and Barriers. *Journal of Business Ethics*, 115(3), 489–513.
- Dacin, M. T., Dacin, P. A., & Tracey, P. (2011). Social Entrepreneurship: A Critique and Future Directions. *Organization Science*, 22(5), 1203–1213.
- Davidsson, P. (2016). *Researching Entrepreneurship: Conceptualization and Design*. Springer VS (Vol. 2).
- Folmer, E., & Risselada, A. (2013). Planning the Neighbourhood Economy: Land-Use Plans and the Economic Potential of Urban Residential Neighbourhoods in the Netherlands. *European Planning Studies*, 21(12), 1873–1894.
- Fritsch, M., & Storey, D. J. (2014). Entrepreneurship in a Regional Context: Historical Roots, Recent Developments and Future Challenges. *Regional Studies*, 48(6), 939–954.
- Hoang, H., and A. Yi. (2015). Network-based Research in Entrepreneurship: A Decade in Review. *Foundations and Trends in Entrepreneurship* 11 (1): 1–54.
- Hockerts, K. (2017). Determinants of Social Entrepreneurial Intentions. *Entrepreneurship: Theory and Practice*, 41(1), 105–130.
- Jack, S. L., & Anderson, A. R. (2002). The effects of embeddedness on the entrepreneurial process. *Journal of Business Venturing*, 17(5), 467–487.
- Jacobs, J. (1961), *The Death and Life of Great American Cities*. New York: Vintage.
- Johannisson, B. (2011). Towards a practice theory of entrepreneuring, *Small Business Economics*, 36 (2), 135–150.
- Kilkenny, M., Nalbarte, L., & Besser, T. (1999). Reciprocated community support and small town - small business success. *Entrepreneurship & Regional Development*, 11(3), 231–246.
- Korsgaard, S., Ferguson, R. & Gaddefors, J. (2015). The best of both worlds: how rural entrepreneurs use placial embeddedness and strategic networks to create opportunities. *Entrepreneurship & Regional Development*.



- Lechner, C., & Dowling, M. (2003). Firm networks: external relationships as sources for the growth and competitiveness of entrepreneurial firms. *Entrepreneurship & Regional Development*, 15(1), 1–26.
- Lumpkin, G. T., Moss, T. W., Gras, D. M., Kato, S., & Amezcua, A. S. (2013). Entrepreneurial processes in social contexts: How are they different, if at all? *Small Business Economics*, 40(3), 761–783.
- Maïr, J., & Martí, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36–44.
- Maïr, J., & Marti, I. (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing*, 24(5), 419–435.
- Malecki, E. J. (2009). Geographical environments for entrepreneurship. *International Journal of Entrepreneurship and Small Business*, 7(2).
- McKeever, E., Anderson, A. & Jack, S. (2014a). Entrepreneurship and mutuality: social capital in processes and practices. *Entrepreneurship & Regional Development*, 26(5-6), 453–477.
- McKeever, E., Anderson, A., & Jack, S. (2014b). Social embeddedness in entrepreneurship research: the importance of context and community. In: Chell, E. & Karata-Özkan, M. (eds.) *Handbook of research on small business and entrepreneurship* (pp. 222–236).
- McKeever, E., Jack, S., & Anderson, A. (2015). Embedded entrepreneurship in the creative reconstruction of place. *Journal of Business Venturing*.
- Müller, S. (2016). A progress review of entrepreneurship and regional development: What are the remaining gaps? *European Planning Studies*, 4313(April), 1–26.
- Neergaard, H., & Ulhøi, J. P. (2007). *Handbook of qualitative research methods in entrepreneurship*. Edward Elgar Publishing Limited, 10.1108/13(17), 499.
- Ozdemir, S. Z., Moran, P., Zhong, X., & Bliemel, M. J. (2016). Reaching and acquiring valuable resources: The entrepreneur's use of brokerage, cohesion, and embeddedness. *Entrepreneurship: Theory and Practice*, 40(1), 49–79.
- Raspe, O., A. Weterings, M. van den Berge, F. van Oort, G. Marlet, V. Schutjens & W. Steenbeek (2010), *Bedrijvigheid en leefbaarheid in stedelijke wijken*. Den Haag: Planbureau voor de Leefomgeving (PBL).
- Reuschke, D., & Houston, D. (2016). The importance of housing and neighbourhood resources for urban microbusinesses. *European Planning Studies*, 24(6), 1216–1235.
- Santana, A. (2013). Disentangling the Knot: Variable Mixing of Four Motivations for Firms' Use of Social Practices. *Business & Society*, 1–31.
- Schutjens, V. & Steenbeek, W. (2010). Buurtbinding van ondernemers. Over lokale betrokkenheid en inzet voor leefbaarheid, High Potential Programme, ICS/URU. In Planbureau voor de Leefomgeving, *Bedrijvigheid en leefbaarheid in stedelijke woon wijken* (pp. 117-156), Den Haag/ Bilthoven: Planbureau voor de Leefomgeving.
- Schutjens, V., & Völker, B. (2010). Space and Social Capital: The Degree of Locality in Entrepreneurs' Contacts and its Consequences for Firm Success. *European Planning Studies*, 18(6), 941–963.
- Seelos, C., J. Maïr, J. Battilana, M. Tin. Dacin (2011) The embeddedness of social entrepreneurship: Understanding variation across local communities. In: Marquis, C., Lounsbury, M. and Greenwood, R. (eds.) *Communities and Organizations*. Emerald Group Publishing Limited, pp. 333-363.
- Semrau, T., & Werner, A. (2014). How Exactly Do Network Relationships Pay Off? The Effects of Network Size and Relationship Quality on Access to Start-Up Resources. *Entrepreneurship Theory and Practice*, 38(3), 501–525.

- Sleutjes, B., & Schutjens, V. (2012). The Added Value of Neighborhood-Based Support Networks to Local Firm Growth. *Entrepreneurship Research Journal*, 2(2).
- Schmitz, J., & Schrader, J. (2015). Corporate social responsibility: A microeconomic review of the literature. *Journal of Economic Surveys*, 29(1), 27–45.
- Smith, B. R., & Stevens, C. E. (2010). Different types of social entrepreneurship: The role of geography and embeddedness on the measurement and scaling of social value. *Entrepreneurship & Regional Development*, 22 (6) 575–598.
- Spence, L. J. (2014b). Small Business Social Responsibility: Expanding Core CSR Theory. *Business & Society*.
- Stam, W., Arzlanian, S., & Elfring, T. (2014). Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators. *Journal of Business Venturing*, 29(1), 152–173.
- Steenbeek, W., & Schutjens, V. (2014). The willingness to intervene in problematic neighbourhood situations: A comparison of local entrepreneurs and (un-)employed residents. *Tijdschrift Voor Economische En Sociale Geografie*, 105(3), 349–357.
- Steenbeek, W., Volker, B., Flap, H., & Oort, F. V. (2012). Local Businesses as Attractors or Preventers of Neighborhood Disorder. *Journal of Research in Crime and Delinquency*, 49(2), 213–248.
- Steyaert, C., & Katz, J. (2004). Reclaiming the space of entrepreneurship in society: geographical, discursive and social dimensions. *Entrepreneurship & Regional Development*, 16(3), 179–196.
- Trettin, L., & Welter, F. (2011). Challenges for spatially oriented entrepreneurship research. *Entrepreneurship & Regional Development*, 23(7-8), 575–602.
- Völker, B. & Flap H. (2002). The Survey of the Social Networks of the Dutch (SSND1), Data and Codebook. Utrecht: Utrecht University/ICS.
- Westlund, H., & Adam, F. (2010). Social Capital and Economic Performance: A Meta-analysis of 65 Studies. *European Planning Studies*, 18(6), 893–919.
- Westlund, H., & Bolton, R. (2003). Local Social Capital and Entrepreneurship. *Small Business Economics*, 21(2), 77–113.
- Zahra, S. A., Gedajlovic, E., Neubaum, D. O. & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24(5).

## Appendix I

Table I: Ordered logistic regression with willingness to intervene as dependent variable

	Coefficient	Std. Err
Collective efficacy (neighbourhood level)	3.09***	0.82
Social Cohesion (neighbourhood level)	-1.97**	0.69
Total number of network contacts	0.05	0.04
Number of local network contacts	0.01	0.10
Age of entrepreneur	0.01	0.01
Years of existence of the firm	0.00	0.01
Level of education of entrepreneur	0.07	0.05
Gender (male = reference category)	-0.03	0.22
Sector		
- Food services	-0.14	0.69
- Personal services	0.25	0.34
- Business services	0.32	0.30
- Cultural activities	0.30	0.43
- Manufacturing and construction	0.21	0.36
- Other sectors	0.48	0.34
Urbanization (>2005 addresses per km2 = reference category)		
- 1500–2005 addresses per km2	0.89**	0.30
- 1000–1500 addresses per km2	1.48***	0.34
- 500–1000 addresses per km2	1.53***	0.32
- <500 addresses per km2	1.28***	0.36
Log likelihood	-899.92	
N	357	

Source: SSNE2, 2014

Significance levels: \* $p < 0.05$  \*\* $p < 0.01$  \*\*\* $p < 0.001$