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Social and commercial enterprises: a common breeding ground? An assessment  
of the relevant entrepreneurial ecosystem.

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*Topicality of the research*

In many European countries the recent economic crisis has led to budget cuts in public expenses. This is said to be linked to the rise of social entrepreneurship (Pisano et al., 2015; de Bruin et al., 2014; Graddy-Reed & Feldman, 2015). Entrepreneurs who seek to create social value are thought to mitigate public budget cuts and to protect the welfare of marginalized people, when public and private institutions fail to do so (Pisano et al., 2015). Although the scientific literature is picking up the social entrepreneurship phenomenon (Smith & Stevens, 2009), there are still many research avenues to pursue. Until now, most studies have focused on creating a definition of social entrepreneurship and uncovering the social entrepreneur, in terms of his/her characteristics. However, far less is known about how the local and regional surroundings affect social entrepreneurs and social enterprises. Many scholars have already pointed out this deficit. Estrin et al. (2013) call for the need to research contextual variables affecting different forms of social entrepreneurship. Dufays and Huybrechts (2014) state that only little articles are concerned with how and where social entrepreneurship emerges. In similar vein, Barki et al. (2015) propose that the role of the environment in social entrepreneurship has to be examined e.g. discovering the role of the government, incubators, accelerators, investors and other agents.

*Outline of theoretical framework*

In our search for relevant contexts for social entrepreneurship, we seek refuge in a fairly recent parallel investigation of entrepreneurship: the entrepreneurial ecosystem approach. This is a relatively new viewpoint in the economic geographical literature, particularly aiming to understand the creation and development of enterprises. This ecosystem approach stems from the ecology literature and as such emphasizes favorable breeding grounds for specific species. This literature states that the thriving of and the emergence of entrepreneurship is the result of a set of resources and actors providing a favorable ecosystem (Vogel, 2012; Isenberg, 2010). Stam (2014) gives a more thorough definition of an entrepreneurial ecosystem:

*"... an interdependent set of actors and factors that is governed in such a way that it enables entrepreneurial action. This governance is situated in a context with particular institutional and physical characteristics that enable or constrain this governance and subsequent entrepreneurial action" (p. 2).*

The entrepreneurial ecosystem is originally aimed at commercial enterprises. According to Dacin (2011) social entrepreneurship has the same core characteristic as commercial entrepreneurship, which is trade, making the framework of Stam (2015) useful as social entrepreneurs are also influenced by so called systemic conditions, such as talent, finance and networks, and (wider) framework conditions, such as business cycle and institutions. However, based on the many variations among commercial and social entrepreneurs, Austin et al. (2006) expect differences in the effect of these systemic conditions on the emergence and development of entrepreneurial action.

The aim of this paper is to explore how the regional and local context affects social and commercial enterprises and to what extent this varies between both forms of enterprise. Due to different characteristics of commercial and social entrepreneurship (Austin et al. 2006; Lumpkin et al., 2013), it might be true that 1) the relevance of systemic conditions in the entrepreneurial ecosystem varies between social and commercial enterprises and 2) that these systemic conditions affect social and commercial entrepreneurs differently. However, with the lack of theories and concepts on the subject, this paper takes on a more explorative stance.

### *Empirical approach*

We investigate the differential conditions for social and commercial entrepreneurship in a region demarcated as the Greater Birmingham and Solihull local enterprise partnership (GBSLEP). Local enterprise partnerships are partnerships between local authorities and businesses that were created by the UK government in 2011. Their purpose is to create economic opportunities and to support economic growth and job creation in the local area. A local enterprise area forms: *"a dynamic, functional economy. From travel to work patterns to shared economic assets and business linkages, the lives and fortunes of the people and institutions of the area are inextricably linked"* (GBSLEP, 2016, p.2).

Birmingham and Solihull are the main metropolitan cores in the GBSLEP area. They provide an interesting focus of the research area. Birmingham was named a "social enterprise place" by Social Enterprises UK (one of 15 UK cities) and has a growing social enterprise sector (GBSLEP, 2014), but there is also a significant growth in the number of commercial start-ups per year. Each year since 2010 new start-ups as a percentage of stock have been higher than the average of the UK (Birmingham City Council, 2016; Andres & Round, 2015). Compared to the West-Midlands, Solihull also has witnessed a relatively large increase of commercial entrepreneurship since 2010, although less than in Birmingham and the UK as a whole (Solihull observatory, 2016). Furthermore, in Solihull an European funded program supports social entrepreneurship, the so-called 'Solihull community enterprise for success' (Solihull Metropolitan Borough Council, 2015). So both cities recently witnessed a growth in both commercial and social entrepreneurship, which makes them relevant areas of research. Within these metropolitan cores two wards were chosen, sharply contrasting in the level of institutional support for social enterprise, i.e. Nechells in Birmingham and the ward Chelmsley Wood in Solihull. Since 2010 all governmental programs supporting social enterprise in Nechells have stopped (Boyle, 2016), while in Chelmsley Wood, social enterprises do still enjoy support from the council. Since 2013 the Solihull council has contributed in the 'Solihull community enterprise for success program' and 'The Chelmsley Wood Neighborhood fund', which are both aimed at supporting social enterprises (Solihull Metropolitan Borough Council, 2015). Contrasting wards were chosen to find out to what extent local conditions influence the entrepreneurial ecosystem, and if so, if influence differently for commercial and social enterprises. This may shed light on the role of governmental support in the development of social enterprises.

A qualitative research method was chosen, as this explorative research is concerned with the entrepreneurs' and other stakeholders' perceptions of the relevant parts of the ecosystem. The research consisted of three steps. In the first step of the fieldwork in-depth interviews were held with experts with knowledge of the local and regional context of the GBSLEP area, with the goal of understanding the framework conditions in the region. Policy documents were analyzed to complement the interviews. For the second step social and commercial entrepreneurs in each ward were invited for an in-depth interview to uncover which systemic conditions affected their firm and also how the systemic conditions affected their entrepreneurial activity. Social entrepreneurs were found via the help of gatekeepers in each ward. To select commercial entrepreneurs a matched pair approach was used. Each social entrepreneur was matched to a commercial entrepreneur, according to firm size, firm age, firm sector and firm location. This match on specific characteristics enables a detailed analysis of the differences between social and commercial entrepreneurs, controlling for other aspects. In the third step in-depth interviews were held with experts of regional systemic conditions. The interviews were aimed at learning the views of other stakeholders, as they are necessary to understand the workings of the entrepreneurial ecosystem.

In total 32 semi-structured interviews were conducted that lasted between 30 and 120 minutes. First, 5 interviews were conducted with experts of the framework conditions in the GBSLEP area. Secondly, 24 interviews were conducted with entrepreneurs in Nechells and Chelmsley Wood. In Nechells 8 interviews were held with social entrepreneurs and 6 with commercial entrepreneurs; in Chelmsley Wood these numbers were 6 and 4 respectively. Finally, 3 experts of regional systemic conditions were interviewed.

### *Contribution*

We contribute to the field in two ways. First, the analysis of the interviews will shed light on differences in the relevance of local and regional contexts between social and commercial enterprises, in both the start-up and later phases in the firm life course. A preliminary analysis of the interview data shows that no specific systemic conditions are more relevant for social than for commercial entrepreneurs – nor the other way around. However, the way in which systemic conditions affect the firm seems to vary between commercial and social enterprises, for instance access to finance. We also found that both commercial and social entrepreneurs do tend to value

different systemic conditions in the firm start-up phase than in later years. A second contribution is that with this investigation, we try to make the entrepreneurial ecosystem concept more concrete as we let entrepreneurs reflect on the relevance and impact of its components.

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