

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

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1. Introduction

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.

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). In presenting his pivotal framework on this approach, 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).

Historically, the discipline of economics has largely ignored the role of entrepreneurs and entrepreneurship in the emergence and development of economic systems, just as

entrepreneurship studies failed to consider the role of systems in explaining the prevalence and performance of entrepreneurship (Vogel, 2012). The entrepreneurial ecosystem approach provides a new distinct perspective on the clustering of economic activity, which takes both the role of entrepreneurship and economic systems into account, and the interdependency between the two (Mason & Brown, 2014). The entrepreneurial ecosystem approach might therefore be useful to develop our understanding of the influence of economic systems and the regional context on entrepreneurship (Stam, 2015). According to Dacin (2011) social entrepreneurship has the same core characteristic as traditional entrepreneurship, which is trade, making the framework of Stam (2015) useful for our research 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 *whether, and if so, how the systemic conditions of the regional and local entrepreneurial ecosystem affect social and commercial enterprises and to what extent this varies between both forms of enterprise in contrasting settings*. 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.

In other words, with this paper we 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. Furthermore, we make the entrepreneurial ecosystem concept more concrete as we let entrepreneurs reflect on the relevance and impact of its components. As such, this paper has two scientific contributions. First, we extend the entrepreneurial ecosystem concept to social entrepreneurship. Social entrepreneurship differs on several points with commercial entrepreneurship, and is expected to be influenced differently by regional economic conditions (Braunerhjelm & Hamilton, 2012; Dufays & Huybrechts, 2014). However, this influence has not been fully conceptualized yet (Pisano et al., 2015; Barki et al., 2015; Dufays & Huybrechts, 2014). Second, we actually empirically explore the ecosystem conditions for commercial (and social) entrepreneurship. As of now the recent entrepreneurial ecosystem literature is in its infancy and offers limited empirical evidence for the existence and value of its conditions on entrepreneurship (Vogel, 2012; Isenberg, 2010; Stam, 2014; Bruns et al., 2017). In contrast to the extensive base of empirical studies explaining the emergence and development of commercial enterprises (Lee et al., 2004; Santarelli, 2007), empirical studies testing the value of the entrepreneurial ecosystem are still scarce (Stam, 2014).

The paper reads as follows. After a short delineation of both commercial and social entrepreneurship in section 2, section 3 presents a literature review of recent studies on determinants of social and commercial enterprises, followed by a conceptual model. Section 4 describes the data and methods used in the empirical research. As the interpretation and evaluation of the relevant components of local and regional contexts by entrepreneurs is central, we adopt a qualitative research design in which social and commercial entrepreneurs are interviewed in-depth. We selected two rather contrasting regional settings in terms of institutional support for social entrepreneurship: Nechells in Birmingham and the Northern Solihull wards in Solihull. In section 5 the results of the analyses are presented, followed by a conclusion and discussion in section 6.

2. Commercial and social entrepreneurship: concepts and definitions

As this paper makes a comparison between social and commercial entrepreneurship, it is crucial to define both concepts and how social entrepreneurship differs from commercial entrepreneurship.

Commercial entrepreneurship can be understood as a process where opportunities to create new goods and services are discovered and exploited in markets. It implies entry in business activities that rely on market exchange structures with the goal to maximize profits (Stam, 2014; Estrin et al., 2016).

In contrast to this rather established conceptualization of commercial entrepreneurship, social entrepreneurship still is a contested concept in the literature and as a result, definitions vary widely (Smith & Stevens, 2010). According to Choi et al. (2013) the aspect that is always included in

definitions of social entrepreneurship is that they create social value as their main goal. Choi et al. (2013) describe social value creation as: *"a value laden concept and involves "virtuous behaviour", altruistic objectives, and the promotion of a social purpose, which further implies values like freedom, equality, and tolerance"* (p. 5). Doherty et al. (2014) agree that social value creation is always needed in social entrepreneurship, but add that there also has to be a form of trade. This still leaves a group of firms with widely varying characteristics that all can be called a social enterprise. For example there are multiple legal forms in which social entrepreneurship can be pursued, spanning in different sectors i.e. non-profit, business and governmental sectors (Austin et al., 2006). To be able to create a more cohesive evidence base for social entrepreneurship research, Lepoutre, et al. (2013) acknowledge that there are commercial enterprises that want to create social value - and also social enterprises that over time, seem to to prioritize commercial activities over social or societal ambitions. As such, according to the authors there is a variety of enterprises that differ in their propensity to create social or commercial value. In order to grasp this complex reality they designed a social entrepreneurship spectrum that distinguishes between non-governmental organizations with an explicit social or societal purpose, firms identifying as a social enterprise, and firms that don't identify as a social enterprise, but do have a social or societal mission. Within these categorizations they specified the types of entrepreneurship even further, according to the extent to which firms value creating social impact in contrast to financial impact.

The social entrepreneurship spectrum makes clear that social entrepreneurship isn't a black and white concept, as social value is created in the public, private and third sector (Williams & Nadin, 2011). Therefore a broad definition for social enterprise is used in this paper, which is:

"An organization that trades, not for private gain, but to generate positive social and environmental externalities (Doherty et al., 2014, p. 420)."

This definition for social entrepreneurship highlights an important difference between social and commercial entrepreneurship, namely the basis for action. Commercial entrepreneurship is driven by wealth-accumulation or self-employment, while social entrepreneurship is driven by collective focused goals, e.g. sharing and community development. For these firms, gaining profits is a secondary goal. However, the basis for action is not the only aspect on which social and commercial enterprises often differ. At least four more can be distinguished.

First, according to Lumpkin et al. (2011) for social entrepreneurs market opportunities are often easier to recognize than for commercial entrepreneurs, as it often concerns a widely known problem, such as poverty, unclean water, unemployment, education and human rights. There mostly is a clear social necessity or societal demand for the products and services they produce. The opportunities often arise out of market failures, where government or commercial market forces do not meet social needs in society. This is mostly due to the fact that people needing the service (or good) are unable to pay for it (Austin et al., 2006). This is in contrast with opportunities for commercial entrepreneurship, which are focused on customer needs that aren't always about the necessities of life. The demand for these products is often uncertain and not well known making it harder to perceive as an opportunity and finding a (commercial) market (Lumpkin et al. 2011).

Second, and linked to the former aspect, the target group of social entrepreneurs in many cases cannot fully pay for the services they consume (Shaw & Carter, 2007). This poses a problem for social entrepreneurs as they do need (financial) resources to create social value. Commercial entrepreneurs that generate a cash flow are more likely to get access to bank loans and private capital. Social entrepreneurs create social value, which is harder to measure, so social entrepreneurship often has to rely on a mix of income, investments, and donated resources to finance the production of goods and services. Also since social entrepreneurs have less access to capital it is also harder to compensate staff the same as in commercial markets, which constrains access to qualified employees (Austin et al., 2006). Resource mobilization, both financial and human capital, is thus more constrained for social than for commercial entrepreneurs.

Third, and also linked to the above, the number of stakeholders in commercial and social entrepreneurship mostly differs (Lumpkin et al., 2011). Investors, employees, suppliers and buyers are the most important stakeholders in a commercial operation. Social enterprises deal with the same stakeholders *plus* the target group that they are serving. For example, sometimes the target group of the social enterprise often cannot pay for the services offered, which as a consequence then have to be paid for by other stakeholders i.e. private donations or governing bodies. The other stakeholders can set criteria on how their money is used, which may actually not be in line with the wishes of commercial stakeholders. In addition, also the (changing) needs of the target client group have to be considered, as social ventures mostly came into existence to address their needs. This makes the organizational structure of social enterprises rather complex (Lumpkin et al., 2011).

Fourth, according to Williams and Nadin (2011) firms tend to be more socially orientated in deprived areas, while more commercially driven firms dominate in more affluent areas. In the State of Social Enterprise Survey 2015, held in the UK (Social Enterprise UK 2016), a similar trend was found: 31% of social enterprises was active in the 20% most deprived UK areas, while this was only 11% in the 20% least deprived UK areas.

Above aspects make clear that social and commercial enterprises differ on several points, and also seem to interact differently with the local and regional context. Social entrepreneurs recognize different opportunities, have access to different resources, interact with different stakeholders and are more present in different localities than other (commercial) entrepreneurs (Lumpkin et al., 2011; Austin et al., 2006; Williams & Nadin, 2011). Even though this list of differences is far from exhaustive, at this point we can already assume that commercial and social enterprises will be influenced differently by (stakeholders) in their local or regional context.

3. Determinants of start-up and development of firms: applying the entrepreneurial ecosystem approach to commercial and social entrepreneurship

Notwithstanding the progress in this field of research, as of now there is still a lack of understanding of how the local and regional context affects social entrepreneurship (Barki et al., 2015; Dufays & Huybrechts, 2014). In contrast, in the regional economics and entrepreneurship literature better progress has been made regarding how the context affects commercial entrepreneurial activities. As mentioned in the introduction this paper uses the concept of entrepreneurial ecosystems. The entrepreneurial ecosystem approach actually originated on the one hand from decades of research regarding entrepreneurship and on the other hand from research concerning regional economics. Scholars agree that a sound ecosystem enables the emergence and the development of entrepreneurship, but it is unclear how the ecosystem exactly works (Stam, 2014; Isenberg, 2011; Vogel, 2012). Fortunately, there is a long history of scholars investigating regional economics and the determinants of entrepreneurial activity that we can borrow from to formulate expectations on how entrepreneurial activity is influenced. This also helps to build expectations of how the regional or local context affects social entrepreneurial activity.

In this effort, we acknowledge the difference between start-up and development of firms. Setting up shop is one thing – being able to continue a firm's activities and survive internal forces and market competition (and other external forces) clearly is another. The local and regional context therefore might influence start-up and development phases differently. We build upon the insights of Penrose (1959), who describes firm growth as a cumulative process, where members of the firm build up skills and knowledge. She argues that the resources of a firm are never fully utilized and thus it incentivizes further growth of the firm, to enable the use of these resources. However the entrepreneur will also try to maintain internal equilibria, which are necessary for effective strategy implementation. In this view, firm growth is determined by the administrative coordination, available resources and strategy of the entrepreneur. Garnsey (1998) uses the theory of Penrose, originally focused on processes in established firms, by relating the resource based view to time and particularly including starting firms in her research. She describes the development of firms on the basis of growth patterns recognizing six phases in the lifecycle of a firm: getting access to resources (1), mobilizing resources (2), generating resources (3), growth reinforcement (4), growth reversal (5) and the final phase where only a select group of firms is able to keep growing due to cumulative growth processes and by expanding their market shares by creating alliances (6). The development of a firm often does not always proceed in a linear manner. Entrepreneurs get confronted by varying internal and or external issues in the lifecycle of their firms. They have different needs in each phase (Garnsey 1998). Therefore it is expected that systemic conditions have a differing influence on firms based on the respective growth phase.

In this literature overview section, both the traditional entrepreneurship literature and the traditional regional economics literature on determinants of entrepreneurial activity is presented. Next the literature on determinants of social entrepreneurial activity is outlined, after which the entrepreneurial ecosystem approach is presented. Finally, we present a conceptual model and our expectations on how entrepreneurial ecosystem affects commercial and social entrepreneurship.

3.1 Determinants of entrepreneurial activity and firm development

3.1.1 Determinants of commercial entrepreneurial activity

At the end of the 20th century research on entrepreneurship had a focus on the individual. The entrepreneur was seen as the key for a successful business. Not surprisingly research was aimed at entrepreneurial characteristics. But as entrepreneurship often is episodic, and differs between local, regional, and national contexts, trying to explain entrepreneurship solely by examining personal characteristics is unlikely to be successful (Kloosterman, 2010; Eckhardt & Shane, 2003). Furthermore, as is common in classic economics, entrepreneurship was assumed to be an equilibrium phenomenon. According to equilibrium theories current prices reflect all the necessary information to direct resources, and the price system allows to allocate resources accurately. The information and expectations for the future that participants in the market have can be reduced to current price bids for resources. Also in equilibrium theories it was assumed that all decision made by entrepreneurs are optimizing decisions. If the necessary information for entrepreneurs is reflected in resource prices, then all decisions boil down to effectively using this information to achieve optimal profits (Eckhardt & Shane, 2003).

The assumptions made in equilibrium theories reason away entrepreneurial opportunities. In contrast to these theories, several authors (Venkataraman, 1997; Schumpeter, 1934; Eckhardt & Shane, 2003) argue that opportunities drive entrepreneurial activity. Central in their research on determinants of entrepreneurial activity was 'discovery' and 'exploitation' of commercial opportunities. According to Venkataraman (1997) there are two central premises in entrepreneurship literature that explain the prevalence of entrepreneurship by the availability of opportunities that can be exploited. The first premise is that in most societies there are market inefficiencies and thus opportunities that can be exploited by entrepreneurial individuals (Kirzner, 1979). The second premise states that markets can approach a state of equilibrium, but that human nature in search of new innovations, exploiting opportunities and chasing profits will break the equilibrium sooner rather than later (Schumpeter, 1934).

Historically the regional economics literature has had a focus on systems to explain the economic performance of regions and in the end, of firms and entrepreneurs. Established concepts in this literature are the industrial districts, regional clusters and regional innovation systems (Acs et al., 2017). Marshall and also Porter explained regional economic growth, by the economies of scale gained by firms clustering together (Beaudry & Schiffauerova, 2009). As firms need similar inputs, e.g. infrastructure, support services, suppliers and a labour pool, they can share the costs. Firms in the same industry cooperate in these clusters, but are also competitors, driving productivity in the region (Beaudry & Schiffauerova, 2009). Another theory that focusses on the external business environment is the innovation system approach. The innovation system approach focusses on the dissemination of knowledge between firms and institutions in a region that lead to innovations. A downside of previously mentioned theories is that the actual influence of the regional economy on entrepreneurship remains a black box (Stam, 2015).

3.1.2 Determinants of social entrepreneurship: a sharp contrast with the commercial entrepreneurship literature

The lion's share of research on determinants of social entrepreneurial activity is aimed at explaining the characteristics of social entrepreneurs. Examples are characteristics such as age, gender, education level and previous entrepreneurial experience (Sastre-Castillo et al., 2015). However these studies have mixed results. For example Van Rhyzin et al. (2009) found that social entrepreneurs are likely to be younger, while Bosma et al. (2016) found the opposite to be true. Each of these investigations has taken place in different contexts, which might be a reason for the varying results. However, as of now little is known about the influence of the (local and regional) context which social entrepreneurship takes place in. The field of research is still in its infancy.

Still, the number of studies concerning determinants of social entrepreneurship has slowly been increasing. The main debate in the literature revolves around the role of formal and informal institutions. Several scholars (Hoogendoorn, 2016; Hechavarría, 2015; Puumailainen et al., 2015) recognized a relation between the prevalence of self-expression in a nation and the rate of social entrepreneurship. Here self-expression consists of values such as interpersonal trust, tolerance, political activism and nonmaterialistic values. The higher degree of these values, the more likely people are to consider the well-being of others, which influences the activities of people, like environmentalism, volunteering and participating in social entrepreneurship (Hoogendoorn, 2016). Furthermore there is a debate with two opposing views regarding the influence of institutions on the rate of social entrepreneurship in an area. The first view is the institutional void perspective (Bosma et al., 2016). This perspectives states that in an area scarce of resource while witnessing an abundance of social problems, entrepreneurs are motivated to mitigate the problem. When

governments are less active, it triggers higher social needs, resulting in a higher demand for social entrepreneurs. As such, inactive governments fuel social entrepreneurial activities. The opposing view is the institutional support perspective (Stephan et al., 2015). According to this perspective a supportive local or regional government leads to more social entrepreneurship: they make it easier for people to start-up a social enterprise and to let it survive. The results of studies empirically testing these contrasting views strongly vary. On the one hand Hoogendoorn (2016) and Stephan et al. (2015) found that institutional support leads to a higher rate of social entrepreneurship. On the other hand Thirlaway et al. (2014), Turker and Vural (2017) and Bernardino et al. (2016) found empirical support for the institutional void view in their research.

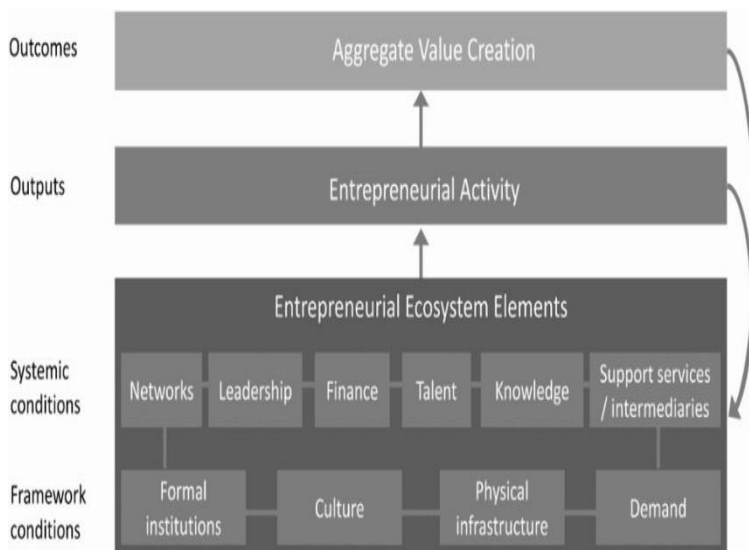
Still, there are great strides to be made to understand the influence of the regional and local context on social entrepreneurial activity. Lessons can be learned from the economic ecosystem approach.

3.2 The entrepreneurial ecosystem literature

In economic geography in the last few years the entrepreneurial ecosystem approach has been introduced to better understand the way in which the external business environment might affect entrepreneurial activity. It aims to explore both the emergence and development of entrepreneurial activity. The entrepreneurial ecosystem 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).

The entrepreneurial ecosystem approach emphasizes that the context enables or constrains entrepreneurship (WEF, 2013; Isenberg, 2010; Stam, 2014). Stam (2014) has summarized the indicators used in the entrepreneurship literature and distinguishes between framework and systemic conditions (Figure 1).

Figure 1: The entrepreneurial ecosystem



Stam, 2015, p. 1765

According to Stam (2014) the systemic conditions are the heart of the entrepreneurial ecosystem. Systemic conditions directly interact with entrepreneurs and thereby enable or constrain entrepreneurial activity. As such, the systemic conditions can be seen as an entrepreneur's specific context (Vogel, 2013). Stam (2014) mentions six systemic conditions that are needed to stimulate (new and developing) entrepreneurial activity in a region, that is networks, leadership, finance, talent, new knowledge, and support services, which are wordily shortly expressed in Table 1.

Table 1: Description of systemic conditions

Systemic Conditions	Description
New Knowledge	New knowledge that helps entrepreneurs coming up with new innovations and helps improving existing products and/or services
Talent	Qualified employees in the region: to what extent suitable qualified employees are present in the region
Finance	Loans and funding for enterprises in the region.
Support Services	Professional services that support the firm in any way. Examples of professional support services are law firms, incubators, IT firms, design firms and help with project management
Leadership	Actors who are visible, accessible and committed (+5 years) to the region. They are principal actors or agents who invest in the region by providing a mentoring role for entrepreneurs, function as a role model and/or reinvest in the community or region by funding other firms.
Networks	Networks or organizations that help getting access to different resources and actors that support the firm, for example to get access to support services, finance, new knowledge, talent and leadership.

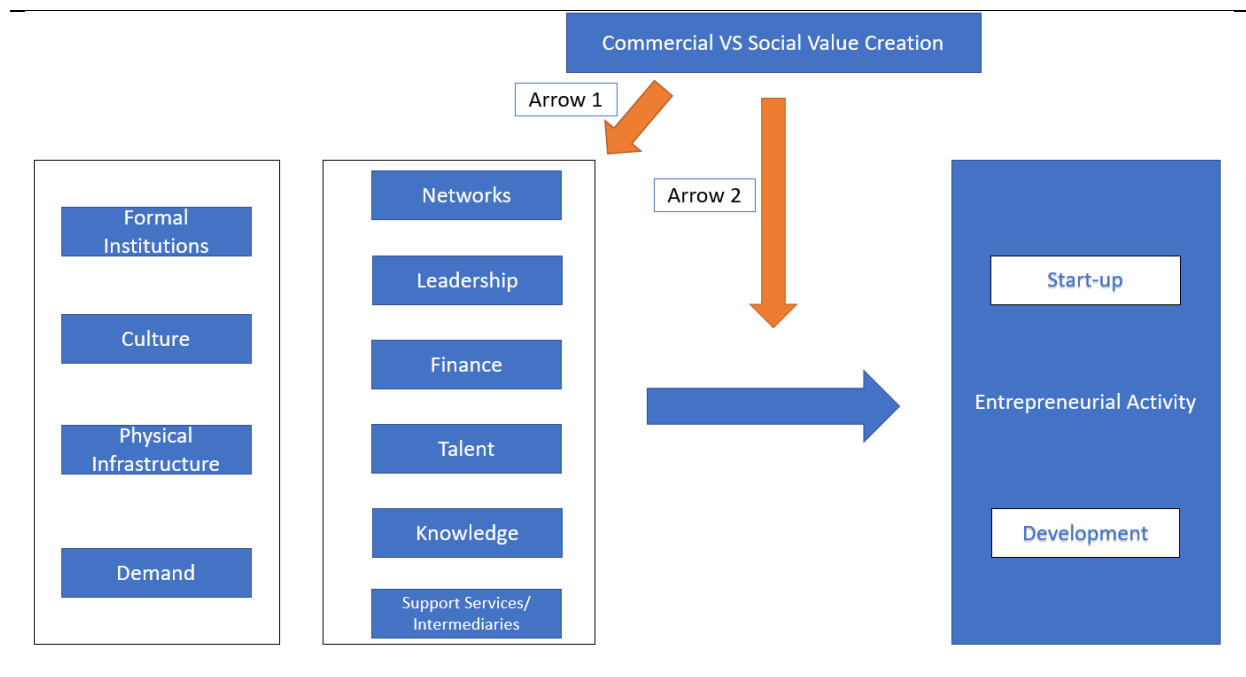
Framework conditions are the informal and formal institutions and the physical conditions enabling or constraining human interaction, i.e. culture, institutions, demand and infrastructure (Stam, 2014). Vogel recognizes the framework conditions as a general context that influences all actors in the region (Vogel, 2013). In the conceptual model of Stam (2014) the framework conditions are depicted as enabling or constraining the systemic conditions. For example if there is not a proper physical and digital infrastructure in the region, then knowledge dissemination will be constrained. Without formal institutions talent won't be further developed.

Compared to systemic conditions framework conditions are rigid and hard to change in a short time (Stam, 2015). According to Stam (2014) path dependency plays an important role in the entrepreneurial ecosystem as historical evolved local conditions help explain the functioning or dis-functioning of the established and rigid framework conditions. Isenberg (2010) argues that there is no blueprint to create an entrepreneurial ecosystem. He argues that an ecosystem should be built around local conditions, emphasizing that copying an existing ecosystem elsewhere does not work.

3.3 Conceptual model and expectations

This study focuses on empirically testing the relationship between entrepreneurial ecosystem elements and entrepreneurial activity, for two contrasting types of activity: commercial versus social entrepreneurship (Figure 2). The conceptual model (CM) consists of elements of Stam's (2014) model. In the entrepreneurial ecosystem commercial and social entrepreneurs seem to make use of different resources, as the support structures of commercial and social entrepreneurs are quite different (Defourny & Nyssens, 2008). Furthermore commercial and social enterprises, as mentioned above, differ on several points e.g. stakeholders, opportunities and obtaining resources (Austin et al., 2006; Lumpkin et al., 2011; Shaw & Carter, 2007). Since social and commercial entrepreneurs have different characteristics and intentions we expect that the relations and importance of systemic conditions regarding new and developing entrepreneurial activity will differ between commercial and social enterprises. Therefore the CM depicts the expectation that the relevance of individual systemic conditions of the entrepreneurial ecosystem are different for enterprises aiming at social and commercial value creation (arrow 1) and moreover, that the systemic conditions affect entrepreneurial activity differently in social and commercial enterprises (arrow 2). Based on the work of Garnsey (1998) it is additionally expected that systemic conditions could have varying influences on different stages of entrepreneurial activity.

Figure 2: Conceptual model: the influence of the entrepreneurial ecosystem on entrepreneurial activity



Based on the literature outlined in section 2 and 3, three expectations stand out.

Firstly, the regional availability of funding is a systemic condition that is expected to be more important for social than commercial entrepreneurs, for three reasons. The first reason is that compared to their counterparts running commercial enterprises, social entrepreneurs are less likely to invest their own capital in the firm (Shaw & Carter, 2007). Secondly, social enterprises have a more mixed income stream and therefore often partly rely on grants and donations, in contrast to commercial firms. Thirdly, social entrepreneurs are in many cases less able accessing funding via traditional ways, such as loans of banks, than commercial entrepreneurs (Austin et al., 2006).

Secondly, we expect networks to influence social enterprises differently than commercial enterprises. Networks are used by both commercial and social entrepreneurs for acquiring market and customer information, identifying opportunities and finding possible funding sources. However, according to Shaw and Carter (2007) social enterprises stress the importance to have a locally embedded network as they felt it gave their social enterprise credibility in the community, which was not mentioned by entrepreneurs running commercial enterprises. Furthermore, as social entrepreneurs are constrained in accessing resources, they are more depended on networks to be able to access resources than commercial entrepreneurs (Lumpkin et al., 2013).

Thirdly, as Bosma et al. (2016) argue that influences of informal institutions can play out on the neighborhood level instead of the national or regional level, we expect that the local institutional setting influences how systemic conditions affect social entrepreneurs. According to Stam (2014) institutions affect systemic conditions in the ecosystem, therefore we expect that in neighborhoods with an institutional void, the systemic conditions are influencing social entrepreneurship differently, than in neighborhoods with institutional support. As there is empirical evidence of both viewpoints (Stephan et al., 2015; Bernardino et al., 2016; Hoogendoorn, 2016; Turker & Vural, 2017), it is complicated to predict whether an institutional void or institutional support is more beneficial to social entrepreneurship. However, both the research areas, that is Nechells and Northern Solihull, are deprived and belong to the 5% poorest areas of the UK and have an abundance of problems (GBSLEP, 2016B). It is more attractive and easier for people to start-up and run a social enterprise to mitigate these problems if resources are available. Therefore it is expected that an environment with institutional support will encourage social enterprise and social entrepreneurs, compared to an area without institutional support (an institutional void). In terms of the effects systemic conditions we expect stronger (positive) effects of systemic conditions in a supportive environment.

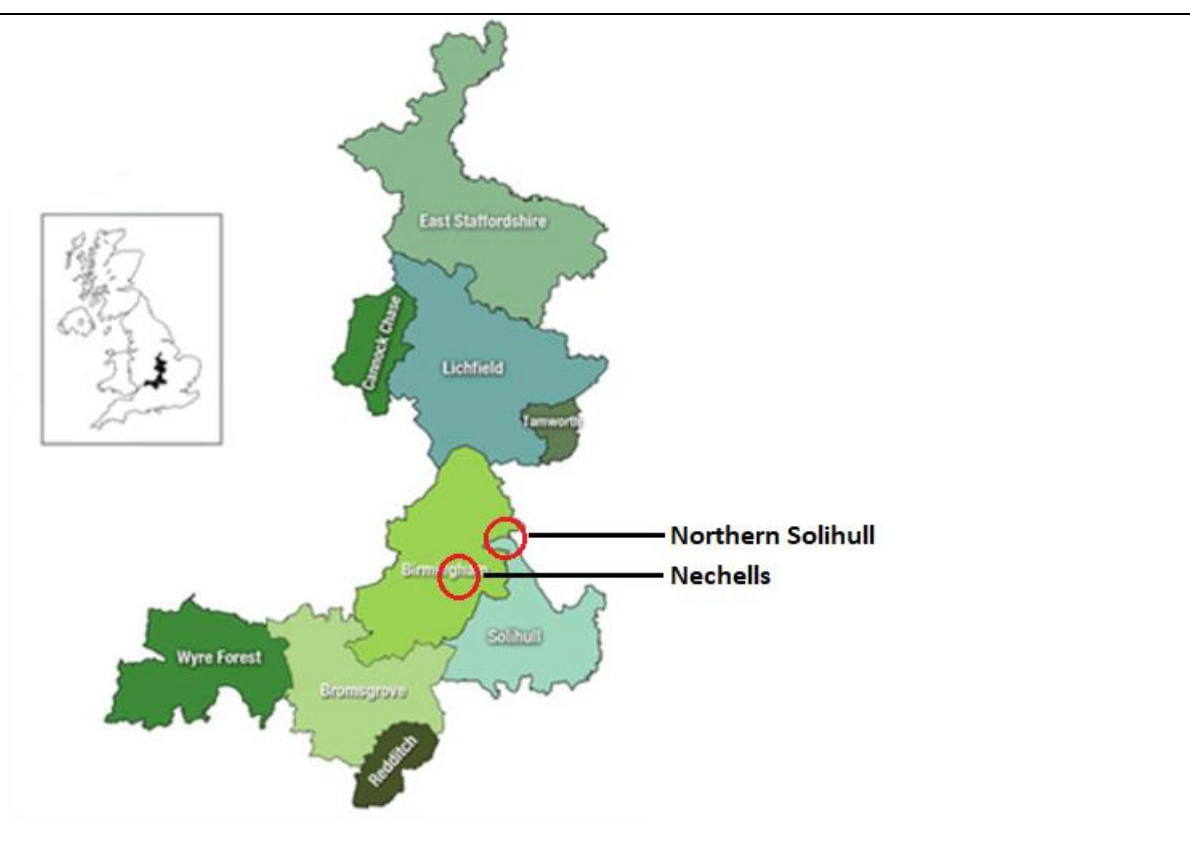
4. Research area, method and data collection

A qualitative research strategy was used based on two reasons. Firstly, it is unknown which systemic conditions are relevant for entrepreneurs and how systemic conditions influence social and commercial entrepreneurs. Due to this lack of knowledge this investigation was set up to be of an explorative nature. Hart et al. (2009) state that for explorative research a qualitative approach is most suitable. Secondly, this investigation is concerned with understanding how systemic conditions in the entrepreneurial ecosystem affect entrepreneurial activity in the start-up and growth phase by looking in-depth at the perceptions of entrepreneurs and other stakeholders in the ecosystem. To acquire this information in-depth interviews were most effective. The next paragraph (4.1) outlines the research area ; paragraph 4.2 describes the data collection and data processing methods.

4.1 Research area

We investigate the differential conditions for social and commercial entrepreneurship in a region demarcated as the Greater Birmingham and Solihull local enterprise partnership (GBSLEP; Figure 3). 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. As such, 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).

Figure 3: The 9 local authorities within the GBSLEP



(GBSLEP, 2013)

Birmingham and Solihull are the main metropolitan cores in the GBSLEP area, and both areas stand out in terms of social entrepreneurship. 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.

However, Bosma et al. (2016) argue that it is conceivable that informal institutions play out at the neighborhood level instead of the national or regional level. They argue that some neighborhoods can be characterized as socially cohesive promoting initiating activities for the common good. This phenomenon is described as having 'institutional support'. And conversely if there is no supportive culture it is depicted as 'an institutional void'. Since informal institutions can have a role on a lower scale level than the national or regional level, they argue that the neighborhood level is the appropriate one to study social entrepreneurship. Therefore, within these metropolitan cores two areas were chosen, sharply contrasting in the level of institutional support for social enterprises, but comparable with respect to other characteristics, such as welfare, population density and a overrepresentation of of social enterprise. In Birmingham Nechells was chosen, which can be characterized by 'an institutional void', compared to to three smaller Northern Solihull wards, where institutional support for social enterprises dominates.

In Birmingham the ward Nechells was chosen, where governmental support for social enterprise is lacking (an 'institutional void'). The ward is located in the center of Birmingham and has a population of 33.957. It is an area that belongs to the 5% most deprived wards in the UK. Furthermore it has a higher percentage of unemployment than average in Birmingham (Birmingham City Council, 2017). In Nechells social enterprises are especially concentrated in the Digbeth neighbourhood, counting over 50 social enterprises (GBSLEP, 2014). With the onset of the recession in 2008 governmental support for social enterprises in Nechells has substantially decreased and since 2010 there have been no European or governmental funded programs aimed at supporting social enterprises. At this moment, support for social enterprises in this area is arranged solely by private sector organizations, such as the "Initiative for Social Enterprise" (ISE) that provides mentoring and workshops for social enterprise (Boyle, 2016).

Nechells is compared to three adjacent wards in the north of Solihull, namely Chelmsley Wood, Smiths Wood and Kinghurst and Fordbridge, from now referred to as Northern Solihull. Together these three wards have approximately the same population density and cover the same surface area as the Nechells ward. Northern Solihull is similar to Nechells in terms of welfare and unemployment levels. However, northern Solihull clearly differs with Nechells with respect to institutional support for social enterprise. Firstly, a "Solihull for Success" scheme is present, which offers finance and business support for social and commercial enterprises based in Solihull (Solihull for success, 2016). Secondly, there is a "Solihull Community enterprises for Success" program, which is funded by the European regional development fund and via Solihull city council. Next to institutional support social enterprises are also supported by the private sector, for example by "Development in social enterprise CIC" (DISECIC). Social enterprises in this region are mainly concentrated in Chelmsley Wood neighborhood (Solihull community enterprise for success, 2016).

4.2 Method and data collection

The fieldwork was conducted in three phases between October 2016 and January 2017. In the first phase the research area and framework conditions of the regional entrepreneurial ecosystem were explored by desk research and interviewing local experts. In the second phase the perceptions on the influence of the systemic conditions on the start-up and successive development of the enterprise were investigated by interviewing both social and commercial entrepreneurs. In the third phase the perceptions of other relevant stakeholders on the effects of systemic conditions were investigated, again by desk research and by interviewing stakeholders.

In-depth interviews were conducted in each phase. They were conducted face to face at the office or firm of the interviewee. Participants were contacted via email to ask for their participation. In some cases it was not possible to meet due to time-constraints of the interviewee. In those cases the participant was interviewed via phone or skype. Before conducting the interviews the participants were asked to sign an informed consent form and permission was asked for recording the interview. In each phase of fieldwork the data collection stopped when a point of saturation was reached and no new information was obtained in the interviews. Each interview was transcribed verbatim and anonymized.

At the heart of the empirical research was the second phase of data collection. To distill how social enterprises are influenced differently by contextual variables than commercial enterprises a matched pairs approach was used. Pairs of entrepreneurs were created that were similar in terms of the firm's age, size, sector and location, but were contrasting in being a social or commercial entrepreneur. Since the firms were kept as similar as possible, differences within the matched pairs

of how they were influenced by contextual factors can be ascribed to being a social or commercial entrepreneur (Allouche, 2008; Stam, 2007). However creating matched pairs was not an easy feat. In the process of finding respondents, first, social entrepreneurs were recruited, since they are harder to locate and also fewer in number than commercial entrepreneurs. To find social enterprises the network of Aston Business school was used, which gave access to gate keepers that helped locating social enterprises in the region. Using a snowball technique more social enterprises were recruited. In the second stage of finding (commercial entrepreneurial) matches for the recruited social entrepreneurs, the Fame directory (Bureau van Dijk, 2017) was used, which contains firm information of firms in the UK and Ireland. The Fame directory enables to search for firms on multiple criteria, such as postcode, standard industrial classification, amount of employees, year of incorporation and legal form. Commercial enterprises were recruited for in-depth interviews when they were a pretty good match to an (already recruited) entrepreneur of a social enterprise.

The same interview format was used for both social and commercial entrepreneurs. The interviews were of an explorative nature and consisted of four parts. First, questions were asked about which factors influence or have influenced their firm the most, and what aspect of the firm was actually influenced. Entrepreneurs were free to mention and interpret these influences. Secondly, the interviewer showed the entrepreneur six cards - one of each systemic condition (see Table 1 for the wordily description) that are known from the literature and asked per topic in which the firm was affected, whether (and if so, which) systemic conditions did have an influence. Third, we asked how these systemic conditions (have) influenced entrepreneurial activity and if relevant, why some systemic conditions did not have an influence. Finally, questions were asked about characteristics of the entrepreneur and his/her firm.

A difference in influence of systemic conditions was expected between the start-up phase and development phase of firms. Therefore all questions related to the systemic conditions were asked once in relation to the start-up phase and a second time in relation to the development phase. The start-up phase is defined as the processes up to and including the resource mobilization phase that Garnsey (1998) describes in her work. The phases thereafter are combined as the development phase. It was chosen to pick the resource mobilization phase of Garnsey (1998) as cut-off point, since when firms get to the resource generating phase they have created a system or infrastructure to create resources and are thus established.

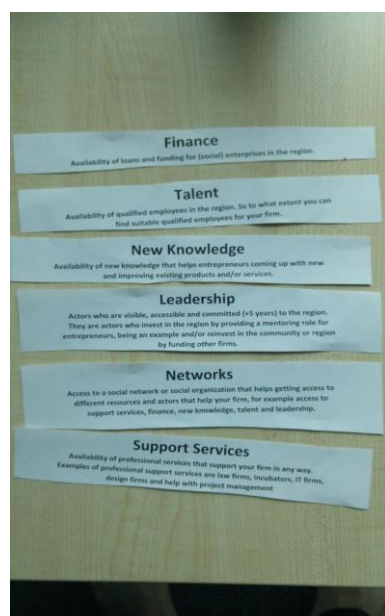
The interviews lasted between 30 and 60 minutes. In total 23 interviews were held; 14 with social entrepreneurs and 9 with commercial entrepreneurs. As such, in total 9 matched pairs were formed. The participating entrepreneurs can all be classified as small businesses. Slightly more interviews were held in Nechells (13) than in Northern Solihull (10).

Table 2: Types of social and commercial enterprises interviewed

	Social Enterprises	Commercial Enterprises	Matched pair
Nechells (Institutional void)	Media and Marketing	Media and Marketing	1
	Media and Marketing	Media and Marketing	2
	Media and Marketing	Media and Marketing	3
	Event Management	Event Management	4
	Selling of produce	Selling of drinks	5
	Café/ Restaurant		
	Business Consultancy		
	Light manufacturing		
Northern Solihull (Institutional support)	Restaurant/ Café		
	Landscaping	Landscaping	6
	Cycle retail	Cycle retail	7
	Café	Café	8
	Online retail	Online retail	9
	Light manufacturing		
	Community house		

To investigate the relevance of each systemic condition, entrepreneurs were asked to visually rank the conditions from 1 to 6 in terms of their perceived relevance in the firm start-up and development phase (see Figure 4 as an example).

Figure 4: Example of ranking systemic conditions



A simple calculation makes clear which systemic condition was on average perceived as the most relevant for entrepreneurial activity. For each condition the scores on all the individual rankings of the responding entrepreneurs were aggregated and divided by the number of entrepreneurs answering the question (observations). For example, if 3 entrepreneurs answered the question and respectively scored the condition networks as rank 1, 3 and 5, the average score for the condition networks would be 3 (ranking 9 in total / 3 observations). The systemic condition with lowest score can be interpreted as the most relevant (highest score least relevant). In tables 3 through 6, behind each systemic condition the average score is listed (between brackets).

The lion's share of the results in the next section is based on the interviews conducted in the second phase. The interviews with stakeholders in the ecosystem (third step) are used to complement the findings.

For the three steps in total, 31 semi-structured interviews were conducted that lasted between 30 and 120 minutes. All interviewees were asked for consent to use their information for the research – all agreed.

5. Results

This section presents our findings about whether entrepreneurial ecosystem conditions matter to entrepreneurs in social and commercial firms, in three paragraphs. The first paragraph describes the systemic conditions that are perceived particularly relevant for social and commercial enterprises and in what phase. In the second paragraph we investigate whether social and commercial entrepreneurs have differential access to systemic conditions and also how the systemic conditions affect them in differential phases. The third paragraph highlights the role of institutions in the entrepreneurial ecosystem through a comparison of the entrepreneurial ecosystem relevance for social enterprises located in Nechells (institutional void area) and in Northern Solihull (institutional support area).

5.1 Relevance of systemic conditions

Based on the interviews with stakeholders and entrepreneurs in the ecosystem there seems to be consensus of the presence of all six systemic conditions in the region and as such, may influence both social and commercial enterprises. However, respondents' opinions regarding availability, access and firm life course relevance of the systemic conditions varied between social and commercial enterprises, as did the way in which they were influenced.

The systemic conditions 'leadership' and 'support services' are more important in the start-

up phase than in the firm development phase (Table 3).

Table 3: Perceived importance of systemic conditions on the firm in differential growth phases (average of all rankings observed)

Rank	Start-up phase	Development phase	Total
1	Networks (2,80)	Networks (2,75)	Networks (2,77)
2	Leadership (3,00)	New Knowledge (3,05)	New knowledge (3,49)
3	Support Services (3,40)	Talent (3,60)	Leadership (3,51)
4	Finance (3,73)	Finance (3,80)	Support Services (3,66)
5	Talent (4,00)	Support Services (3,85)	Finance (3,77)
6	New Knowledge (4,07)	Leadership (3,90)	Talent (3,77)
Observations	15	20	35

Entrepreneurs have different opinions about the relevance of the six specified ecosystem conditions in the two distinct stages of the firm life paths. Several entrepreneurs argued that in the start-up phase 'talent' and 'new knowledge' did not affect their firm, since there was simply no need for this at that time. They either could not afford new employees or did not have enough work for them. Also introducing new products or services, or innovate, had no priority in the start-up phase rendering access to new knowledge rather irrelevant. In contrast 'leadership' and 'support services' were ranked quite high in the start-up phase. Entrepreneurs felt that in the early stages they could learn a lot from a leader that could mentor them or be an example, while in the development phase many entrepreneurs felt that they already knew how to run their business. Similarly, in the start-up phase entrepreneurs noted that they needed to establish new relationships with other firms that provide support services, e.g. accountants, lawyers, marketing agencies and business development consultants. After establishing these relationships, 'support services' became less involved in the daily business practice of entrepreneurs, and as such were perceived as less important in the development phase.

The most important difference in perceived relevance of systemic conditions between social and commercial enterprise is that for social enterprises, 'finance' is much more important than for commercial firms in both the firm start-up and growth phase (tables 4 and 5).

Table 4: Perceived relevance of systemic conditions on the firm in the start-up phase (average of all rankings observed)

Rank	Social Enterprise	Commercial Enterprise	Total
1	Networks (2,75)	Networks (2,86)	Networks (2,80)
2	Finance (3,13)	Leadership (3,00)	Leadership (3,00)
3	Leadership (3,13)	Support Services (3,42)	Support Services (3,40)
4	Support Services (3,38)	Talent (3,57)	Finance (3,73)
5	New knowledge (4,38)	New knowledge (3,71)	Talent (4,00)
6	Talent (4,38)	Finance (4,28)	New knowledge (4,01)
Observations	8	7	15

Table 5: Perceived relevance of systemic conditions on the firm in the development phase (average of all rankings observed)

Rank	Social Enterprise	Commercial Enterprise	Total
1	Networks (2,58)	New knowledge (2,13)	Networks (2,75)
2	Finance (3,50)	Networks (3,00)	New knowledge (3,05)
3	Talent (3,50)	Support Services (3,50)	Talent (3,60)
4	New knowledge (3,67)	Talent (3,75)	Finance (3,80)
5	Leadership (3,67)	Leadership (4,25)	Support services (3,85)
6	Support Services (4,08)	Finance (4,25)	Leadership (3,90)
Observations	12	8	20

While 'networks' are perceived as crucial for both types of firms, in the two firm life course phases discerned, for social entrepreneurs a striking second best is 'finance' – instead, for commercial entrepreneurs 'finance' is ranked lowest. Presumably commercial entrepreneurs can find funding more easily in both phases, and can generate their own (financial) resources better than social entrepreneurs. Of course, this is closely related to the relatively strong financial business purpose of most commercial entrepreneurs.

Apart from this difference, the similarities between the rankings of social entrepreneurs and commercial entrepreneurs stand out, in both the start-up and growth phases (Tables 4 and 5). For social enterprises 'leadership' and 'support services' were slightly more important when they started their firm, than later in the firm life course where 'talent' and 'new knowledge' became more important. Also commercial entrepreneurs witnessed this, and even stronger, as 'new knowledge' has the highest ranking in the development phase, while it was a mere fifth in the start-up phase for commercial entrepreneurs. However, the differences in these rankings are rather small, so that we can state that in both phases, networks are of crucial importance for both commercial and social entrepreneurs. However, social entrepreneurs rate the importance of (access) to financial capital substantially higher than their commercial counterparts – to some extent also the access to new knowledge.

5.2 Influence of systemic conditions on social and commercial entrepreneurial activity

The rankings showed in section 5.1 only reveal a first pattern. In controlling for several firm characteristics (age, size, sector and location), the matched pair approach enables a more in-depth investigation of whether and if so, how systemic conditions influence social and commercial enterprise differently. As networks were ranked highest by both social and commercial entrepreneurs, this is our starting point. Next the largest differences between social and commercial enterprises are investigated, that is how they think about finance and new knowledge. Finally we present the way in which the three remaining systemic conditions (talent, leadership and support services) influence social and commercial entrepreneurs.

5.2.1 Networks

Most social enterprises are small-scale grass root companies in the UK (Seforis, 2016). According to Zahra et al. (2009) small social enterprises are locally embedded. The social enterprises in this investigation also were predominantly locally embedded. In many cases social entrepreneurs worked together with other local social entrepreneurs and most were linked through the same local and regional networks. Several entrepreneurs even stated a preference for working together with other social enterprises and deliberately chose to do so. According to the director of Social Enterprise West-Midlands this is because there is a lack of awareness in the private sector of what social enterprise entails, making it difficult for social and commercial enterprises to work together. Especially in the start-up phase, social and commercial enterprises barely interacted with each other.

Networks played an important role in the start-up phase of social enterprises, where social enterprises were strongly connected to each other. For several social entrepreneurs their networks were vital in the start-up phase as without their connection to networks they would not have been able to set up shop or to be sustainable in the start-up phase. Networks firstly had an impact as

there was a lack of knowledge of what social entrepreneurship was. Without coming in contact with social enterprise networks, the social entrepreneurs wouldn't have recognized the opportunity in the societal problem they were seeking to resolve. Secondly, networks provided access to resources, cheap support services, volunteers, customers and assignments.

Most commercial entrepreneurs did not look for access to formal networks in the start-up phase, not actually joined them. Some commercial enterprises that were connected to formal networks in the start-up phase (Matched pair 1, 4 and 9) joined the network only after their firm actually started. These networks were sector specific. Where social entrepreneurs utilized their networks very broadly to obtain resources or business support in the start-up phase, commercial enterprises predominantly used their network to obtain knowledge to improve their products and services and to build reputation and recognition in the region to acquire customers and assignments.

In the development phase, the way in which networks were utilized didn't change much for social entrepreneurs. However in this later phase, the social entrepreneurs in matched pairs 1, 2, 3, 4 and 6, which are the oldest social enterprises in this investigation, also joined networks which were not related to the social enterprise sector. Older social enterprises seem to more intensively interact with commercial enterprises and (commercial) supply chains to keep increasing their social impact. Similar to the participating commercial entrepreneurs, the networks of these social entrepreneurs joined were sector specific. In developing to later stages, commercial entrepreneurs felt that their firm was not influenced differently by networks. However, they mentioned that as their networks matured, they benefitted more, as it was easier to get access to new clients and new knowledge via these networks.

5.2.2 Finance

The biggest contrast in the rankings of social and commercial enterprises was the relevance of financial capital in both the start-up and development phase. Social entrepreneurs valued the relevance of 'finance' very high, while commercial entrepreneurs thought of it as the least relevant condition in the start-up phase and development phase of the firm.

In the literature, funding is seen as a barrier for social enterprises, since their owners have a hard time accessing traditional forms of finance i.e. bank loans (Austin et al., 2006; Lumpkin et al., 2011). Also our interviews revealed that particularly social entrepreneurs did not obtain external funding via traditional banking systems. Lack of access to funding limited the social entrepreneurs in their investment opportunities in the firm, which slowed down firm growth.

"Lots of time you just have to get by and pay for one thing and then hold off on the next thing. It is just quite difficult to start up with that" (Social entrepreneur, Business consultancy, Nechells).

Obtaining external finance was thus vital for most of them in the start-up phase. The social entrepreneur of matched pair 9 even stated that he came up with the idea for the enterprise, due to funding being available. *"Big lottery came with a million pound for the area. That is how the idea came"*. Only two entrepreneurs didn't rely on external funding and privately funded the enterprise. Since social enterprises had lacked access to traditional funding, funding was mostly obtained by winning social enterprise competitions and by relying on grants from other public or third sector organisation. However, in many cases this caused a particular dependency as social entrepreneurs mention that they had to accept the terms of the funding organizations (or persons). For example, one social entrepreneur (matched pair 9) had to set up his firm in a specified area to receive funding. Similarly, another social entrepreneur (matched pair 5) had to change his services according to the requirements of funders. Being dependent on the funding made the future of social enterprises uncertain. Remarkably, the commercial entrepreneurs also didn't take up bank loans in the start-up. Risk aversion was a main reason for commercial entrepreneurs to not make use of traditional loans. The commercial entrepreneur of matched pair 2 noted that the firm would have grown faster in terms of employees and turnover if he would have taken up a loan. He said:

"So I am very very cautious in regards to borrowing money. Possibly too cautious in some respects. That the business... I have ignored access to capital. The business could grow more quickly. There is no doubt about that, but at the same time I don't want to borrow and overcommit because it is personally secured" (Commercial entrepreneur, matched pair 2).

The lion's share (7 out of 9) of commercial participants privately funded the enterprise in the start-up phase, which is in sharp contrast with the social entrepreneurs of which only 2 privately funded their firm.

In the development phase social enterprises were to a lesser extent depending on external funding, particularly the enterprises active in human capital intensive sectors. The social enterprises based on labour intensive activities and spin-offs of charities still depended on external funding in the development phase to stay viable. For commercial entrepreneurs external funding didn't play any role in the development phase.

5.2.3 New knowledge

To recognize new opportunities ventures need a flow of new knowledge from both public and private parties (Feld, 2012). Our respondents obtained knowledge through personal experience, networks, mentors, support services and via internet. As such, new knowledge played a role in the opportunity recognition of both social and commercial entrepreneurs. However in many cases social entrepreneurs had to recognize a societal problem as an opportunity. This is in contrast with commercial entrepreneurs who recognized a (commercial) local or regional market demand and started relatively independent.

Furthermore, in the start-up phase particularly social entrepreneurs used new knowledge to improve their internal business processes. None of the social entrepreneurs had entrepreneurial experience and they still needed to learn the ins and outs of starting and running a business. Knowledge was obtained via mentors, other social enterprises and workshops. Commercial entrepreneurs also used new knowledge to improve business processes, but notwithstanding several well established programs related to start-up advice and improvement of business skills, none of the commercial entrepreneurs interviewed has actually enrolled in such programs. In the start-up phase, commercial entrepreneurs obtained new knowledge through other firms, friends, family and old colleagues.

In the development phase social entrepreneurs use new knowledge to improve their products and services, however almost no one did not come up with brand new products or services. The social entrepreneur of matched pair 1 also recognized this in the region:

"I think from the point of view of going back to new knowledge and stuff like that what are the new products within the social enterprises, because you know a huge number of the organisations is still chasing welfare money to look after the poor and the needy and we are not looking at developing a product".

An explanation could be that many social entrepreneurs have to deal with other stakeholders. As indicated above, several social entrepreneurs said that there were strings attached to the funding they received. So probably the social entrepreneur was not always allowed to implement new knowledge in the way she or he envisioned.

In the development phase new knowledge was valued much higher by commercial entrepreneurs than by social entrepreneurs (Table 4). Commercial enterprises used new knowledge more to come up with and implement new services than social entrepreneurs. They were also able to invest more in innovations as they experienced less budget restrictions.

5.2.4 Talent

For a firm to succeed, access to qualified human capital is needed. This is also the case for social enterprises (Lumpkin et al., 2011). However, most social entrepreneurs can only offer employees a less competitive salary than commercial firms, since the former often (need to) reinvest their profits in their social cause. In the start-up phase however, hiring talent was not a big issue for social entrepreneurs as they either started out with no intention to hire people or hired people cheaply through their personal network. They often also used volunteers to keep costs of labour down. All respondents of commercial firms started out self-employed without employees and as a result didn't need to hire employees in the start-up phase.

However, in the development phase recruiting talent did influence the firm growth paths of social and commercial enterprises alike. In this phase most social enterprises seem to rely less on volunteers, as their flexible and often insecure labour inputs were perceived as less durable than labour by hired and paid employees. However, for social enterprises actually hiring employees was problematic, as labour costs are high. It was especially an issue for social enterprises that were labour intensive and provided work to disabled or disadvantaged people. Qualified supervisors to instruct volunteers and employees in these types of highly specialized services are expensive.

Furthermore social entrepreneurs seem to need a broader skillset than commercial entrepreneurs (Estrin et al., 2016). To stay competitive social entrepreneurs have to show their added social value. According to social entrepreneurs there is still little understanding of the definition and

interpretation of 'social value' in the public and private sector. As a result, (communication) skills and knowledge is needed to win tenders from cheaper, more competitive commercial firms. Although social entrepreneurs recognized skilled people in the region, hiring them was often too expensive. According to the social entrepreneurs interviewed, being unable to hire the necessary qualified people negatively influenced the firm's turnover and social impact..

Still, commercial entrepreneurs also had trouble to recruit employees in the development phase, especially regarding skilled labour. According to an incubator manager this is due to a relatively low education level in the GBSLEP region. A second explanation could be that the commercial entrepreneurs that faced problems in hiring qualified people worked in niche markets and needed talent with specific skill sets.

5.2.5 Leadership

In the entrepreneurial ecosystem social entrepreneurs seem to really find each other. Both stakeholders and social entrepreneurs in the ecosystem referred to the same people that they perceived as having a leading role. In total 11 of 14 social entrepreneurs had either a connection with the organisation ISE in Nechells or with DISECIC in Northern Solihull. Both organisations have a limited budget, so their leadership role mainly consisted of providing mentoring, workshops and championing social entrepreneurship in the region. In the interviews with commercial entrepreneurs not a single organisation or actor was mentioned more than once as being a established and well-known leader. However social and commercial entrepreneurs valued leadership similarly, both in the start-up and the development phase (Table 3 and 4). Leadership was especially valued in the start-up phase. For social enterprise in this phase, leaders fulfilled two functions. First, leaders introduced potential entrepreneurs to the need for and existence of social activities, as the local and regional recognition of social value and social enterprise is still limited. Second, leaders provided mentorship roles and shared their experience of how to start and run a business. Without leadership some social entrepreneurs said that they just wouldn't have set up shop due to lack of awareness of the need and demand for products or services - others clearly mentioned to would have struggled due to the lack of knowledge of starting and doing business. The majority of commercial entrepreneurs stated to not have had a mentor or leader as initiator nor advisor related to their firm. In contrast to social entrepreneurs, commercial entrepreneurs didn't even recognize clear leaders in the region, only mention other (fellow) local entrepreneurs.

In the development phase both social and commercial entrepreneurs perceived leadership as not relevant (Table 4). Both social and commercial entrepreneurs felt they gained enough experience as entrepreneurs that they didn't need to rely on leadership in the region.

5.2.6 Support services

Both Austin et al. (2006) and Lumpkin et al. (2011) recognized that social enterprise struggled to get access to support services due to their limited budget. In the start-up phase this was also true for social entrepreneurs in the GBSLEP region. According to a social entrepreneur running an assembly firm in the automotive industry:

"To get help from the private sector, so support services, it is very difficult to get cost effective solutions. Because these organisations are also supporting very large private businesses in the area(...)So for example if we wanted to go out to a marketing agency we know straight away that their cost. Their costs are not going to fit our budget".

According to commercial entrepreneurs support services, such as accountants, lawyers, web designers and marketing agents were widely available in the GBSLEP region. Social entrepreneurs used similar services if they were able to access it cheaply. Support services were accessed cheaply via commercial firms that fulfilled their corporate social responsibility and they were also accessed via board members of the social enterprise. In addition social enterprises made more use of business support programs and workshops than commercial firms in the start-up phase, such as the start-up program of the school of social entrepreneurship West-Midlands and the workshops of ISE, while only one of the commercial entrepreneurs mentioned to have used a business support program. Many social entrepreneurs used support specifically aimed at social enterprises.

In the development phase social entrepreneurs used the same services, however, they far less enrolled in business support programs. The commercial entrepreneurs weren't affected differently by support services in the development phase - they also used the same support services as in the start-up phase.

5.3 Nechells and Northern Solihull ecosystems

In both the start-up and development phase, systemic conditions in the ecosystem differently influence both social and commercial entrepreneurs. Although it is expected that the entrepreneurial ecosystem is multileveled (Stam, 2015), this has not been empirically tested yet (Bruns et al., 2017). This paragraph explores whether a difference in local institutional setting can be traced in differential effects of systemic conditions on social enterprises.

The institutional setting is contrasting for social enterprises in Nechells and Northern Solihull as these areas can be characterized by an 'institutional void' and 'institutional support' regime respectively. As expected it seemed easier for Northern Solihull entrepreneurs to set up a social enterprise, than for Nechells' entrepreneurs. Furthermore, it was found that the institutional setting possibly was also related to the goals of the social entrepreneur and types of business activities. We found three differences between Nechells and Northern Solihull in how the systemic conditions affected the entrepreneurial activity of these firms (Table 6 & 7).

Table 6: Perceived relevance of systemic conditions by social entrepreneurs in Nechells and Northern Solihull in the start-up phase (Average of all rankings observed)

Rank	Nechells Institutional Void	Northern Solihull Institutional Support	Total
1	Networks (2,17)	Leadership (1,00)	Networks (2,63)
2	Finance (2,83)	Support Services (3,00)	Finance (3,00)
3	Support Services (3,50)	Finance (3,50)	Leadership (3,25)
4	Leadership (4,00)	Networks (4,00)	Support Services (3,38)
5	Talent (4,17)	New knowledge (4,50)	Talent (4,38)
6	New knowledge (4,33)	Talent (5,00)	New knowledge (4,38)
Observations	6	2	8

Table 7: Perceived relevance of systemic conditions by social entrepreneurs in Nechells and Northern Solihull in the development phase (Average of all rankings observed)

Rank	Nechells Institutional Void	Northern Solihull Institutional Support	Total
1	Networks (2,57)	Networks (2,60)	Networks (2,58)
2	Talent (2,86)	Finance (3,00)	Finance (3,33)
3	Finance (3,57)	New knowledge (3,00)	Talent (3,50)
4	Leadership (3,57)	Leadership (3,80)	New knowledge (3,50)
5	New knowledge (3,86)	Support Services (4,20)	Leadership (3,67)
6	Support Services (4,29)	Talent (4,40)	Support services (4,25)
Observations	7	5	12

In the start-up phase, the first and main difference in perception of the relevance of systemic conditions to entrepreneurial activity relates to networks. In Nechells networks are valued much higher than in Northern Solihull. Social enterprises in Nechells did receive less institutional support, which made networks more important to access resources and support. Another difference is that the locality of the networks differs between the two research areas: the networks and business operations of social entrepreneurs in Northern Solihull are on a smaller geographical scale than in Nechells. This is firstly due to the local institutional support system which enables Northern Solihull entrepreneurs to identify opportunities to create social value for the local community. Local governmental programs supporting social enterprises were aimed at specific areas and in most cases firm support was only accessed if the social entrepreneurs actually provided their services to the local area. This caused many social entrepreneurs in Northern Solihull to restrict their networks and operations to the local the community. A second reason for the smaller scope of Northern Solihulls' social enterprises, is that several social entrepreneurs mention to prefer to work with companies in the community. Many entrepreneurs grew up in the area and were motivated to improve the community in Northern Solihull. In Nechells, in contrast, many social entrepreneurs did not spend their childhood. They started the social enterprise in this area, due to cheap rents, close proximity to the city centre of Birmingham and the already established social enterprise network in the region. As they had less personal connections to the neighbourhood than social entrepreneurs in Northern Solihull, they were to a lesser extent prone to improve the neighbourhood. They did not only aim to create social value for Nechells, but for the whole city of Birmingham. As a result their networks had a wider scope than the community where they were located.

A second finding is that in Northern Solihull more social entrepreneurs depended on external finance compared to Nechells in both the start-up and development phase. In Nechells, all social entrepreneurs privately funded the start-up of their firm. It seems that institutional support in Northern Solihull enabled people to become social entrepreneurs who normally wouldn't have had the financial opportunities themselves. Nechells' social entrepreneurs either used their networks in search for external funding, or needed their business to be sustainable without external funding. So to be sustainable they either had to have a better business plan or better networking skills, than social entrepreneurs in Northern Solihull.

A last and third finding is that social entrepreneurs in Nechells and Northern Solihull had different needs for qualified employees. However, the analysis revealed that this was not directly due to the institutional setting. Nechells' social entrepreneurs were active in relatively human capital intensive sectors, while relatively many social entrepreneurs in Northern Solihull operate labour intensive sectors. The demand for labour varies between both sectors. In Northern Solihull most social value was created by providing work for local disadvantaged people, and as such they depended on the skills available in the local labour market. Furthermore these companies had a need for highly educated supervisors to support other staff members, which are very expensive and as such and increased the overhead costs of these companies significantly. The social enterprises in Nechells recruited less people and less qualified ones. They often opted to work with freelancers to reduce costs. However, we should stress here that this difference in the relevance of 'talent' to the firm is not related to the institutional setting, but instead to differences between the type of firms interviewed (a composition effect).

6. Conclusion & Discussion

Our main research question was whether and how the systemic conditions in the entrepreneurial ecosystem affect social and commercial enterprises and to what extent this varies between both forms of enterprise in contrasting settings.

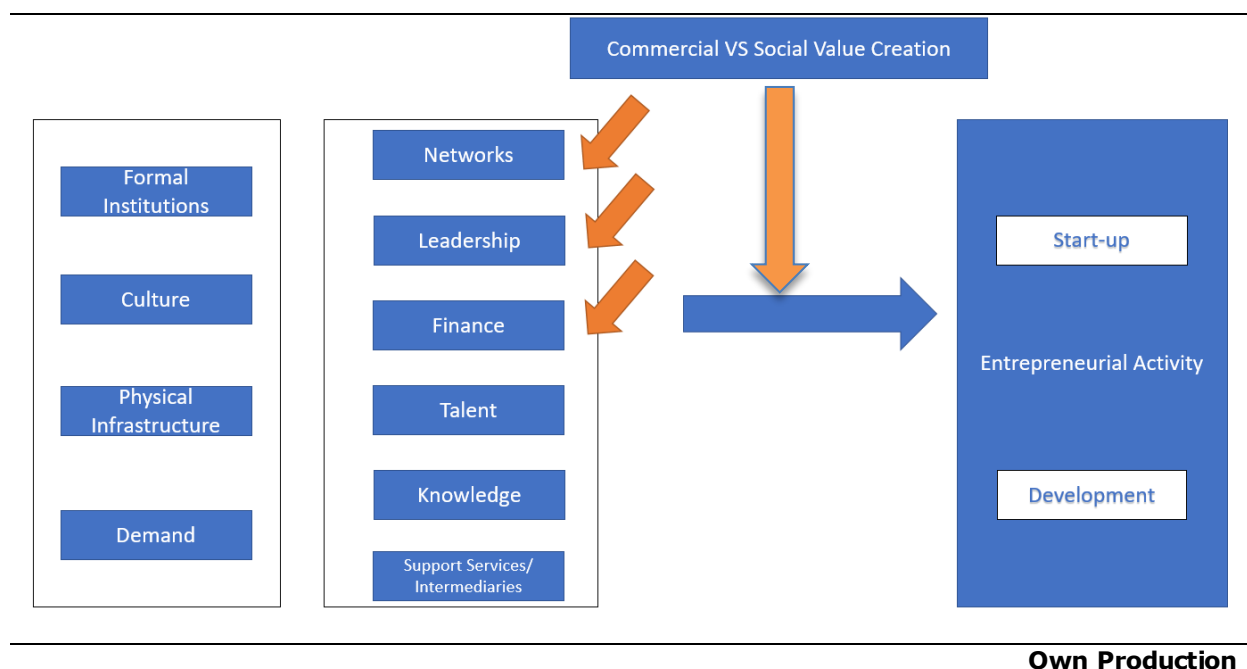
The six systemic conditions were all relevant for both social and commercial enterprise, however the relevance varied between the two firm life course phases distinguished. In the start-up phase most social entrepreneurs were depended on their networks, external finance and the knowledge and inspiration passed on by leaders in the region. Although other systemic conditions were also perceived as relevant, they were less vital in enabling entrepreneurial activity in the start-up phase of most social enterprises. In the start-up phase, commercial counterparts to a lesser extent depended on the systemic conditions. Most commercial enterprises were privately funded and were set-up without substantial help of others. Furthermore they didn't recognize leaders in the region and weren't connected to formal networks. They did utilize support services, but these services were mostly services to keep their business running, i.e. an accountant.

Over time, from firm start-up to firm development, the relevance of systemic conditions for entrepreneurial activity and their specific influence, changed for both social and commercial

entrepreneurs. The biggest contrasts in perception between social and commercial entrepreneurs in the development phase were in new knowledge and finance. Commercial entrepreneurs were more actively involved in innovation and to introduce new products and services, while this was less the case among social entrepreneurs. In growing rather organically, commercial firms weren't in urgent need of external funding, rendering the perception of commercial entrepreneurs that finance was not that relevant to entrepreneurship. Although in the development phase less social entrepreneurs mention to rely on external finance than in the start-up phase, there were still significantly more social entrepreneurs than commercial entrepreneurs needing external funding to survive and develop their firm.

Even though there are considerable contrasts between social and commercial entrepreneurs, social entrepreneurs in the development phase seemed to be more similar to their commercial counterparts, as they became less depended of systemic conditions in the region to survive. Some systemic conditions became more important to assist the growth of the social enterprises. Furthermore, talent was perceived as more relevant in the development phase, while the importance of leadership slightly decreased according to both social and commercial entrepreneurs. Logically, as firms develop, the need to attract talent or qualified labour, increased, while at the same time entrepreneurs themselves also felt that they had build up experience and skills and as such, less need for leadership. Overall the systemic conditions that were most relevant in enabling social entrepreneurial activity were networks, finance and leadership (Figure 5), while new knowledge, networks and support services were most relevant in enabling commercial entrepreneurial activity.

Figure 5: Most relevant systemic conditions for social enterprise and differential effects



Finally, it appears that the local institutional setting also influences how social enterprises are affected by systemic conditions, as differences were found between the influences of the systemic conditions between Nechells (institutional void) and Northern Solihull (institutional support). This would mean that the neighborhood level also plays a role in entrepreneurial ecosystems, which is line with the view of Stam (2015) and Bruns et al. (2017). As expected, it was seemingly easier for social entrepreneurs in Northern Solihull to start up their enterprise, due to the institutional support in the area. The varying institutional settings resulted in social enterprises acting differently. We found three differences in the two localities. Firstly, the institutional setting had an influence on the geographical scope the social entrepreneurs operated in. In Northern Solihull social value was mostly created for the local community, and also networks were more local. So social enterprises only engaged in activities that mitigated local problems. In Nechells social enterprises also tried to mitigate issues that weren't necessarily issues in the community the firm was located. So social entrepreneurs in this area worked on a more diverse range of local and non-local. Secondly, due to institutional support in Northern Solihull, social entrepreneurs to a larger extent depended of external capital than the social entrepreneurs in Nechells. The latter social

entrepreneurs had to put more effort into obtaining external funding than the entrepreneurs in Northern Solihull and often privately funded the firm. Maybe it is safe to argue the institutional support in Northern Solihull also enabled people to become social entrepreneurs who normally wouldn't have set up shop. Thirdly, while at first sight the institutional setting seemed to have an influence on the importance of talent and qualified labour, actually the type of business activities in both areas formed a better explanation. Social entrepreneurs in Nechells are mostly active in human capital-intensive activities, while in Northern Solihull mostly labour intensive activities were performed. This sectoral differences causes differential need for and use of (local) talent.

This exploratory analysis of the relevance of the entrepreneurial ecosystem for social and commercial entrepreneurship has several limitations. Firstly, due to the size of the research area it was impossible to focus on one particular sector, as this would result in an only limited number of research participants for our matched pairs research design. Even without looking at particular sectors, it was complicated find entrepreneurs willing to participate and to create matched pairs with these participants. Furthermore, while the matched pairs indeed helped to disentangle the differences between social and commercial enterprises, still there is a lot of heterogeneity within social entrepreneurship. The differences that were found could still be in part explained by the different activities of the social entrepreneurs involved. An in-depth analysis of a specific sector could give more insight in how systemic conditions affect social entrepreneurs compared to commercial entrepreneurs.

Secondly, the comparison of Nechells and Northern Solihull consisted of a comparison of entrepreneurs that were very different from each other. In this sense, the findings could partly reflect a composition effect instead of an effect of institutional setting variety. The entrepreneurs in Nechells and Northern Solihull varied in sector, age of the firm and firm size. A future investigation of similar matched pairs in both areas could resolve this problem and give more insight in the role of the institutional setting in the local entrepreneurial ecosystem.

Thirdly, the ecosystem approach that was used in this paper has its limitations. The ecosystem approach is very attractive for policymakers as it invites them to select an important factor of the ecosystem and when that factor is improved will lead to an enhanced regional economy (Stam, 2015; Borrisenko & Boschma, 2017). Unfortunately it isn't as black and white. Stam (2015) argues that the ecosystem approach only results in long laundry lists of factors that are beneficial for entrepreneurship, but without any argumentation of cause and effect. Borrisenko and Boschma (2017) add that even though the entrepreneurial ecosystem is a systemic concept, it lacks insights from network theory, and it is not clear how certain concepts are connected in the entrepreneurial ecosystem. This is a big issue as the entrepreneurial ecosystem derives its power from providing more than the sum of the elements in the system through the added value that the connections between elements create. To illustrate this point, according to Spigel (2015) there is a recursiveness in the ecosystem: "an ecosystem's attributes are sustained and reproduced through their relationships with other attributes" (p.8). To make it more complicated these relationships also are not stagnant and are changing as the ecosystem evolves (Borrisenko & Boschma, 2017). Since the relations in the ecosystem are not clear, it is also unclear what the appropriate scale is for the entrepreneurial ecosystem (Stam, 2015). Motoyama and Watkins (2014) add criticism as they agree that the relationship between the ecosystem elements are not clear, but also add that no distinction is made in importance between different elements. Of course elements are interdependent, which makes it hard to determine what each elements contributes to the system. Furthermore Borrisenko and Boschma (2017) add that the importance of elements also can differ based on the characteristics of the ecosystem and give the example that in a low density entrepreneurial ecosystem, one element might be more dominant and drive the other elements in the system, while in a high density entrepreneurial ecosystem the influence of each element might be more balanced.

7. References

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