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Social entrepreneurship and entrepreneurial ecosystems
Complementary or disjoint phenomena?

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Abstract
Purpose – The formation of entrepreneurial ecosystems is recognized as an activity that can produce economic development and community revitalization. Social entrepreneurship is also an activity that is receiving growing attention because of its potential for addressing social and economic problems. However, while scholars have focused on how the participants in entrepreneurial ecosystems, such as investors and support organizations, influence ecosystem functioning, it is not clear what role social entrepreneurs can play in entrepreneurial ecosystems. Nor is it known how the entrepreneurial ecosystems in which social entrepreneurs are located can influence the founding and operation of their ventures. The paper aims to discuss these issues.

Design/methodology/approach – In this conceptual paper, theory is proposed to explain the interrelationship between entrepreneurial ecosystems and social entrepreneurship.

Findings – It is theorized that entrepreneurial ecosystems will influence the operations and effectiveness of social entrepreneurs through mechanisms such as the ecosystem’s diversity of resource providers, support infrastructure, entrepreneurial culture, and learning opportunities. In turn, social entrepreneurs can shape the entrepreneurial ecosystems in which they are situated by influencing the heterogeneity of ecosystem participants, garnering attention for the ecosystem, and increasing its attractiveness to stakeholders.

Originality/value – Scholars examining entrepreneurial ecosystems have not studied the role of an increasingly important market actor: the social entrepreneur. At the same time, work on social entrepreneurship has not emphasized the community of social relations and cultural milieu in which social entrepreneurs found their ventures. The theory developed addresses both of these omissions and has important implications for practitioners focused on spurring entrepreneurial ecosystems and social entrepreneurship.

Keywords Social economy, Entrepreneurship, Social enterprise, Social entrepreneurship, Entrepreneurial ecosystems, Startup communities

Paper type Conceptual paper

Introduction
Entrepreneurship is increasingly viewed as a driver of economic growth, development, and prosperity (e.g. Acs et al., 2008). As a type of market actor, the entrepreneur fulfills several important functions, including “undertaking” risk and uncertainty (Cantillon, 1931; Knight, 1957), shifting resources from areas of low to high productivity (Say, 1964), and recognizing and creating opportunities through innovation (Kirzner, 1979; Schumpeter, 1942). Regardless of the specific function emphasized by prior scholars, entrepreneurship is a phenomenon viewed as essential to modern economies because of its ability to stimulate wealth creation, influence established organizations and institutions, and disrupt the status quo (e.g. Maguire et al., 2004).

As an attempt to spur entrepreneurship, economic and social policymakers at all levels have sought to create and bolster entrepreneurial ecosystems: inter-connected collections of actors, institutions, social structures, and cultural values that produce entrepreneurial activity (e.g. Breznitz and Taylor, 2014; Feld, 2012; Mason and Brown, 2014; Neck et al., 2004; Roundy, 2016; Spigel, 2017; Spilling, 1996; Van de Ven, 1993). The practitioners and policymakers seeking to grow such ecosystems view them as a means of creating jobs,
attracting skilled human capital from other regions, injecting innovation into their communities, and, in many cases, rejuvenating depressed local or regional economies (Audretsch et al., 2006; Malchow-Møller et al., 2011). Efforts to create and foster entrepreneurial ecosystems, in both urban and rural settings (e.g. Welter et al., 2008), are often motivated by the goal of replicating, to some extent, the immense economic and social value created by vibrant and high-profile ecosystems, such as Silicon Valley, Singapore, and Tel Aviv (Feldman and Francis, 2002).

As a result of the increasing spotlight on entrepreneurial ecosystems, scholars are devoting growing attention to studying the phenomenon. Work in economics has often focused on entrepreneurial ecosystems as one type of “innovation cluster” or “regional system of innovation” (e.g. Cooke, 1996; Morgan, 2004; Niosi and Banik, 2005). These studies emphasize the agglomeration, spillover, and knowledge transfer effects that are produced where there is a high concentration of innovation-creating firms (e.g. Audretsch, 1998; Gordan and McCann, 2005). In addition to work in economics, entrepreneurial ecosystems have also been studied by scholars in entrepreneurship and organization theory. This work has generally focused on identifying and isolating the key components of entrepreneurial ecosystems, such as large pools of investment capital, support organizations such as venture incubators and accelerators, labor forces with sufficient human capital, and cultures that encourage risk taking, innovation, and are accepting of failure (e.g. Arruda et al., 2014; Bahrami and Evans, 1995; Neck et al., 2004).

Although prior work on entrepreneurial ecosystems has made significant progress in understanding the phenomenon, much remains to be learned. One of the most notable omissions in prior work is the absence of both theory and empirical research on a specific type of market actor involved in entrepreneurial ecosystems: social entrepreneurs. Social entrepreneurs create innovative organizations that address societal problems using business methods – that is, by harnessing the market mechanism (Lepoutre et al., 2013; Miller et al., 2012; Roundy, 2014a; Thompson and Doherty, 2006). In doing so, their firms combine multiple logics of action (cf. Dequech, 2013), including both a market (i.e. economic) logic, which emphasizes generating profits through the sale of products or services that create value for consumers, and a social welfare logic, which emphasizes creating value for groups of beneficiaries influenced by social problems. Through the ventures they create, social entrepreneurs are addressing some of the most intractable problems facing society, such as homelessness, hunger, lack of access to education and medical services, and environmental degradation (e.g. Bornstein, 2007; Elkington and Hartigan, 2013). However, despite the increasing prominence of social entrepreneurs as market actors (e.g. Rynsza, 2015), it is not clear from prior work how the entrepreneurial ecosystems social entrepreneurs operate in can influence their ability to create and scale ventures. Furthermore, the role social entrepreneurs can play in shaping entrepreneurial ecosystems is also unexamined[1]. These represent critical omissions in prior research because both social entrepreneurship and entrepreneurial ecosystems are increasingly viewed as means to generate economic development and revitalization. Thus, an important unaddressed question is, to what extent can entrepreneurial ecosystems and social entrepreneurship influence one another?

In this conceptual paper, theory is developed about the interrelationship between social entrepreneurship and entrepreneurial ecosystems. It is argued and proposed that entrepreneurial ecosystems will impact social entrepreneurship through mechanisms such as resource provider diversity, support organizations, culture, and vicarious learning opportunities. In contrast, it is theorized that social entrepreneurs can impact the entrepreneurial ecosystems in which they are located by influencing the heterogeneity of ecosystems’ participants, drawing attention to ecosystems, and increasing their attractiveness to internal and external stakeholders.
Literature review

Entrepreneurial ecosystems

Studies of entrepreneurial ecosystems have focused on identifying and understanding the role of several categories of ecosystem participants. For instance, in a case study of the Silicon Valley, California ecosystem, Bahrami and Evans (1995) highlight the importance of venture capital, a highly skilled labor pool, a sophisticated services infrastructure, universities and research institutions, and the entrepreneurial spirit of the ecosystem. Similarly, Neck and colleagues (2004), in a study of the Boulder, Colorado entrepreneurial ecosystem, focused on factors such as the existence of large established corporations (that can spinoff new ventures), the informal and formal networks among entrepreneurs, the physical infrastructure of the ecosystem, and the ecosystem’s culture. More recently, Isenberg (2011), in conjunction with the Babson College Entrepreneurship Ecosystem Project, argues that entrepreneurial ecosystems can be conceptualized as consisting of six key domains: “a conducive culture, enabling policies and leadership, availability of appropriate finance, quality human capital, venture-friendly markets for products, and a range of institutional and infrastructural support.” Thus, according to Isenberg, although every entrepreneurial ecosystem is unique and consists of a myriad of specific elements, an ecosystem is comprised of general factors that span socio-cultural (e.g. institutional support) and economic forces (e.g. venture-friendly markets; also cf. Isenberg, 2010).

One of the key domains of entrepreneurial ecosystems that Isenberg (2011) focuses on is human capital, such as the presence of serial entrepreneurs. However, in addition to serial entrepreneurs, other types of entrepreneurs also participate in entrepreneurial ecosystems. Yet, prior research on entrepreneurial ecosystems has been slow to examine the role that other types of entrepreneurs play in the formation and development of such systems. Social entrepreneurs, described in detail in the next section, represent a particular type of entrepreneur. They not only participate in entrepreneurial ecosystems but their increasing prevalence suggests that they may play an increasing role in such systems. Scholars, however, have not examined the possibility that social entrepreneurs may have a unique influence on the creation and evolution of entrepreneurial ecosystems.

Social entrepreneurship

Social entrepreneurship encapsulates both for-profit and nonprofit (often referred to as “social enterprise”) attempts to create business ventures that address societal problems. Social entrepreneurs are said to serve a unique role in the economy as market actors that found ventures with the aim of generating positive externalities. That is, they seek to generate positive benefits that “spillover” to individuals not necessarily involved in the transactions of their ventures (Santos, 2012).

Research on social entrepreneurship has focused on exploring the ways in which social entrepreneurs differ from both philanthropists (Dhesi, 2010) and traditional entrepreneurs (Austin et al., 2006). This work has examined each phase of the entrepreneurial life-cycle, from the motivations that drive someone to become a social entrepreneur to the ways in which they found, structure (e.g. for-profit, nonprofit), and scale their ventures (Zahra et al., 2009). Work has also focused on the processes through which social entrepreneurs secure financial and nonfinancial resources. For example, Roundy (2014a) examined how the discourse social entrepreneurs use to communicate about their ventures influences their ability to attract investment from angel investors, venture capitalists, incubators, and the media. This research suggests that social entrepreneurs frequently interact with other members of entrepreneurial ecosystems while founding and managing their ventures. However, it is not clear from prior work precisely how the ecosystem of individuals, organizations, and institutions in which social entrepreneurs are located can influence the founding and operation of their ventures. Indeed, most social entrepreneurship research has focused on either the level of the individual
social entrepreneur or the social venture, rather than the larger social, cultural, and economic system in which social entrepreneurship activities take place. Thus, work is needed to unify social entrepreneurship and entrepreneurial ecosystems literatures and understand the interplay between the two phenomena. In the next section, the first steps are taken to develop theory explaining how entrepreneurial ecosystems and social entrepreneurship can influence one another.

Theory development
The impact of entrepreneurial ecosystems on social entrepreneurship
Although social entrepreneurs are unique from conventional entrepreneurs (Austin et al., 2006), they engage in some of the same activities as their traditional counterparts (e.g. recognizing and creating business opportunities, mobilizing the resources necessary to exploit opportunities). Thus, social entrepreneurs are likely affected by many of the same factors in entrepreneurial ecosystems as conventional entrepreneurs, such as the amount of early-stage investment capital available (Breznitz and Taylor, 2014) and the ecosystem’s transportation and telecommunications infrastructure (Isenberg, 2011). However, there are several specific characteristics of ecosystems which, it is proposed, are particularly important for the founding and continued success of social entrepreneurs. These characteristics represent the factors that make an entrepreneurial ecosystem hospitable for the creation and development of social ventures, including diversity in resource providers, sufficient support organizations, the culture of the ecosystem, and opportunities for vicarious entrepreneurial learning. Each of these characteristics is examined in turn.

Diversity in resource providers. The diversity of an entrepreneurial ecosystem in terms of the types, demographic characteristics, and motivations of its participants is argued to be an important ecosystem characteristic that can influence properties such as the system’s resilience toward internal and external disturbances (e.g. Roundy et al., 2016; for a general discussion of resilience in complex social systems cf. Adger, 2000). For example, if an ecosystem contains entrepreneurs that found a variety of firm types (e.g. high- and slow-growth ventures, micro-enterprises), from a variety of industries, the ecosystem will be more likely to survive shifts in market conditions that severely reduce the profitability of a particular industry, customer segment, or technology (Roundy et al., 2016). However, if an entrepreneurial ecosystem does not cultivate the heterogeneity of its participants, such as cultivating both skilled and unskilled labor (Isenberg, 2011), this may hamper the ecosystem’s flexibility in responding and adapting to disruptions.

It is posited that the diversity of an entrepreneurial ecosystem will also influence the ease with which social entrepreneurs located inside the system found and scale social ventures, for several reasons. First, social entrepreneurs can benefit from a diversity of investor types (Austin et al., 2006). Unlike conventional entrepreneurs who usually create for-profit businesses incorporated as limited liabilities companies or corporations, social entrepreneurs are more likely to use a wider array of legal structures that include for-profit, nonprofit, and hybrid forms (e.g. the low-profit limited liability company or benefit corporation; Galpin and Bell, 2010). For this reason, social entrepreneurs will benefit from having a diversity of funding options that span all types of early-stage for-profit and nonprofit investments. For instance, for-profit social entrepreneurs may pursue startup funding from traditional angel investors and venture capitalists (e.g. cf. Sahlman, 1990) and impact investors (Miller et al., 2010; Roundy, 2014a). Impact investors are a relatively new type of investor class that makes investments with the expectation of receiving two types of returns: a financial return on investment (ROI) and a social ROI (cf. Bugg-Levine and Emerson, 2011; Roundy et al., 2017); that is, they expect their investment to generate both financial and social value. Or, drawing from the theory of Santos (2012), impact investors make investments to
generate both financial returns and positive externalities. Thus, the motivations of impact investors, more so than investors prioritizing strictly financial returns such as venture capitalists, are closely aligned with the goals of social entrepreneurs.

Although all social entrepreneurs strive to generate some level of financial returns on their businesses, they differ in the scalability of their ventures and the size of the market opportunity they address, which in turn influences the level of investment returns that can be expected. Thus, a community of social entrepreneurs with different expected financial returns will require a diverse collection of investors seeking a wide spectrum of expected returns. As the diversity of funders in an entrepreneurial ecosystem increases, a social entrepreneur is more likely to find a match between the returns he or she can generate and a particular investor’s expectations.

Similarly, social entrepreneurs who found their ventures as nonprofits (or as certain types of hybrid organizations) pursue investments from nonprofit-oriented funders, such as private philanthropic foundations and other sources of grant-money, to build and sustain their ventures (cf. Froelich, 1999). Unlike conventional or impact investors, traditional nonprofit investors do not expect a financial return on their investments; indeed, since no financial return is required, such “investments” are more accurately described as “donations.” For instance, private foundations may provide grants to nonprofit social ventures; however, they often prefer to invest in conventional (non-business oriented) nonprofit organizations (Young, 2001). Yet, many forward thinking foundations have adopted a market-oriented entrepreneurial mindset and are often eager to invest in social ventures because of their perceived financial sustainability and innovativeness (Letts et al., 1997; VanSlyke and Newman, 2006). Thus, it will benefit social entrepreneurs if an ecosystem has a wide array of investors (and philanthropists) with not only different tolerances for risk and return but also different motivations and investment emphases[2]. This suggests the following proposition:

\( P1. \) As an entrepreneurial ecosystem’s diversity of investors increases, the creation of social ventures and their likelihood of success will increase.

Support infrastructure. Support organizations, such as incubators and accelerators, provide entrepreneurs with office space, mentorship, exposure to capital providers, a community of other early-stage entrepreneurs, and access to support professionals, such as legal, accounting, and technical advisers (cf. Peters et al., 2004; Isenberg, 2011). Like other entrepreneurs, social entrepreneurs can leverage the resources and networks provided by support organizations. However, such organizations can also spur social entrepreneurship by offering programs and curricula tailored specifically toward the creation of social ventures (Casasnovas and Bruno, 2013). In fact, it stands to reason that such programs are especially important for social entrepreneurs because the individuals who pursue social entrepreneurship often do so from non-business backgrounds, such as social work or nonprofit management (Dobele and Pietere, 2015). As a result, the founding of a social venture can be an entrepreneur’s first foray into business, which suggests that she or he may be in need of business-oriented human capital to create a venture and develop a financially sustainable business model. In addition to spreading awareness of social entrepreneurship and introducing it to individuals who are considering options for addressing a social problem, the programs provided by support organizations can also provide valuable services and instruction to social entrepreneurs who may lack skills, such as business model development (Wiggins and Gibson, 2003). Together, these points suggest:

\( P2. \) If an entrepreneurial ecosystem contains social entrepreneurship-focused support organizations, the creation of social ventures and their likelihood of success will increase.
Ecosystem culture. The culture of an entrepreneurial ecosystem is the set of values, norms, and knowledge that is shared among the ecosystem’s participants (Doney et al., 1998). Culture consists, in part, of societal norms such as tolerance for risk, failure, and experimentation (Isenberg, 2011). Although culture emerges from the repeated interactions between the individual agents in a system, it can also influence the actions of ecosystem participants. For instance, if the ecosystem promotes a culture of philanthropy, prosocial actions, and, more generally, altruistic behaviors, then it stands to reason that this will increase the likelihood that an individual will either become a social entrepreneur or will incorporate a social mission into an existing business because these are the exact cultural values on which social entrepreneurship is based (Miller et al., 2012). Similarly, a culture that is supportive of entrepreneurial action and innovation, which is a foundation of traditional entrepreneurship in ecosystems (Feldman, 2001; Isenberg, 2011), and that also emphasizes the importance of social value creation will encourage and bolster social entrepreneurship activity because it will align with the motivations of individuals who engage in social entrepreneurship (Zahra et al., 2009).

Similarly, the culture of an entrepreneurial ecosystem can also influence entrepreneurial activity through its effect on the “simple rules” (Davis et al., 2009) that govern the micro-interactions of ecosystem participants (Roundy et al., 2016). With regard to social entrepreneurship, if simple rules such as “favor cooperation,” “give before taking,” and “help other participants” (cf. Feld, 2012) form the basis for the interactions between ecosystem members, it stands to reason that this is more likely to encourage social entrepreneurship than if the system is dominated by other rules, such as “exploit to get ahead,” “take before giving,” or “lookout for oneself.” Overall, the culture of an entrepreneurial ecosystem, which is both a reflection of and an influence on entrepreneurs, can either help or hinder social entrepreneurship:

P3. If an entrepreneurial ecosystem fosters an altruistic culture, the creation of social ventures and their likelihood of success will increase.

Opportunities for vicarious learning. A common misstep of social entrepreneurship is overinvesting in the pursuit of social missions at the expense of developing a solid business model, which results in an organization that is financially unsustainable (Roundy, 2014a). Social entrepreneurs tend to make this mistake when they do not have other established entrepreneurs from which to learn; that is, social entrepreneurs can benefit from vicarious learning, a type of organizational learning that occurs through observing the behaviors and outcomes of other firms (Baum and Ingram, 1998; Lévesque et al., 2009).

If an entrepreneurial ecosystem contains a sufficient number of conventional entrepreneurs or, perhaps more importantly, a sufficient number of successful, serial entrepreneurs, then this can represent an important source of vicarious learning for social entrepreneurs. As described, it is common for individuals to enter social entrepreneurship from non-business backgrounds (e.g. social services). Such entrepreneurs may have deep understandings of the social problems they are addressing, but they can struggle to formulate a viable business model (Roundy, 2014b). A vibrant entrepreneurial ecosystem will have a variety of firms at all stages (Neck et al., 2004), which can be sources of vicarious learning for prospective early-stage social entrepreneurs.

Thus, the stock of entrepreneurial human capital can allow social entrepreneurs to learn through observation (cf. Manz and Sims, 1981). Moreover, this capital can spillover and influence social entrepreneurship through more direct means. For instance, human capital from traditional entrepreneurial endeavors can be applied to social entrepreneurship, in at least two ways. First, when traditional entrepreneurs exit their ventures (e.g. through positive outcomes such as acquisitions or initial public offerings) they can decide to become
social entrepreneurs. That is, the stock of entrepreneurs in an ecosystem can represent a latent supply of social entrepreneurs. Second, a vibrant entrepreneurial ecosystem can create a labor force skilled in founding and scaling early-stage ventures (Bahrami and Evans, 1995). Thus, in such ecosystems, there will be a sufficient supply of employees of all types – from entrepreneurs to ancillary employees – with experiences in early-stage ventures. This entrepreneurially skilled labor force can aid social entrepreneurs through their knowledge of the routines, processes, structures, and practices associated with successful entrepreneurship:

P4. If an entrepreneurial ecosystem contains more opportunities for vicarious entrepreneurial learning, the creation of social ventures and their likelihood of success will increase.

The impact of social entrepreneurship on entrepreneurial ecosystems
The system of actors, institutions, and culture in which social entrepreneurs are situated can influence the founding of such ventures and their success. However, the relationship between entrepreneurial ecosystems and social entrepreneurship is not one-sided: the activities of social entrepreneurs can also influence the formation and functioning of entrepreneurial ecosystems.

Ecosystem diversity. Scholars have argued that entrepreneurial ecosystems are best conceptualized as complex systems, that is, systems in which the macro-level behaviors of the system both influence and emerge from interactions among the agents comprising the system (Levin, 2002, Roundy et al., 2016). As described, one property of complex systems is that as the diversity of a system’s components increases, the system becomes more resilient (i.e. more able to adapt to a disturbance and return to its previous, or an improved, state; Limburg et al., 2002). It stands to reason that the number of social entrepreneurs in an entrepreneurial ecosystem will increase the system’s diversity and, in turn, resilience for several reasons.

First, social entrepreneurship often appeals to entrepreneurs from nontraditional backgrounds (e.g. the arts) and to those with atypical entrepreneurial motivations, such as pursuing opportunities associated with social problems, rather than conventional business opportunities (Dees, 1998; Shaw and Carter, 2007). In this way, social entrepreneurship can represent an additional avenue into entrepreneurial activity for those who might not otherwise become entrepreneurs. Thus, if an ecosystem has a community of social entrepreneurs, this can potentially increase the overall number of entrepreneurs in the system by providing a greater variety of nontraditional entrepreneurial opportunities, which attract additional participants into the ecosystem. Thus both the breadth and density of the ecosystem’s entrepreneurial network (Konczal and Motoyama, 2013) can increase if the system has a community of social entrepreneurs.

A community of social entrepreneurs can also increase the diversity of other types of ecosystem participants, beyond entrepreneurs. Most notably, as the density of social entrepreneurs increases, this can attract diverse sources of funding beyond traditional investment classes. As described, for-profit social entrepreneurs can pursue investment from the same sources as conventional entrepreneurs, such as angels or venture capital. However, a new class of investors – so-called impact investors – specifically pursue investments in social ventures because the investors are seeking both a financial return and to create “social value” (i.e. to generate positive externalities from their investment; Brest and Born, 2013). As the number of social entrepreneurs increases, the opportunities for investment will increase, which can provide an incentive to increase the total number of impact investors. Thus, there can be a positive feedback loop (cf. DeAngelis et al., 2012) between entrepreneurs and investors – i.e. growth in the number of social entrepreneurs leads to an increase in the number of impact investors, which in turn increases the number...
of social entrepreneurs as the pool of funding increases. Growth in the number of entrepreneurs and investors can strengthen the overall entrepreneurial ecosystem by increasing the amount of entrepreneurial activity taking place in the system:

**P5.** As the density of social entrepreneurs in an ecosystem increases, the diversity of participants in an entrepreneurial ecosystem will increase.

**Ecosystem attractiveness.** The problems social entrepreneurs address can be global or local (Seelos and Mair, 2005). Likewise, the beneficiaries of social ventures can be located in other countries or in the social entrepreneurs’ communities (Roundy, 2014b). One “spillover” of social entrepreneurs’ focus on addressing local social problems is that if they are successful in doing so, it can increase the attractiveness of the ecosystem by reducing the social problems that plague it (e.g., crime, poverty, pollution). Reducing these problems improves the overall quality of life in the ecosystem, which can attract new participants (Kline et al., 2014). It can also alleviate pressures on the nonprofit sector and local government so that their resources can be deployed to address other problems, which in turn can further improve an ecosystem:

**P6.** As the density of social entrepreneurs in an ecosystem increases, the attractiveness of the entrepreneurial ecosystem will increase.

**Ecosystem attention.** Social entrepreneurship is a topic generating significant media and practitioner attention. Indeed, it has become a “buzz-word” of sorts in the business community (e.g., Mirabella and Young, 2012). This suggests that entrepreneurial ecosystems that foster social entrepreneurship, and that actively harness the trend, will be more likely to capture stakeholders’ attention, since buzz-words, by definition, are the subject of increased attention (Nakajima et al., 2012). Attention is an important intangible resource (Lee and Whitford, 2013), especially in the early stages of an entrepreneurial ecosystem, because it contributes to an ecosystem’s “local buzz” (Bathelt et al., 2004), the “information, gossip, and news” (Mason and Brown, 2014, p. 7), which can help the system crystallize and attract attention from outside its boundaries.

In addition to its effects on generating attention from outside the spatial bounds of the entrepreneurial ecosystem, social entrepreneurship can also help garner attention from an ecosystem’s local community. By seeking to address community problems, social entrepreneurship draws attention to the entrepreneurship community as a source of value for the community in which it is situated (cf. Wallace, 1999). Doing so can result in community buy-in and involvement that results in resources being transferred from the community to the entrepreneurial ecosystem. Social entrepreneurship can also create connections among the entrepreneurship community and organizations, such as nonprofits and private foundations, which would not normally have connections to entrepreneurship. The formation of such connections can further increase the flow of attention and resources to the entrepreneurial ecosystem:

**P7.** As the density of social entrepreneurs in an ecosystem increases, the attention to an entrepreneurial ecosystem will increase.

**Discussion**

Entrepreneurial ecosystems and social entrepreneurship are receiving growing scholarly attention. Despite the increased interest in these phenomena, prior work has examined the topics in isolation. Arguments have been presented that the entrepreneurial ecosystem in which a social entrepreneur founds his or her venture can play a critical role in the venture’s success. In addition, it is argued that social entrepreneurs can influence the ecosystems in which they are founded in several ways. This theory has implications for the academic literatures on social entrepreneurship and entrepreneurial ecosystems and for practitioners and policymakers.
Implications for social entrepreneurship

Although there is now an extensive body of work examining social entrepreneurship, the vast majority of this research is focused on processes and dynamics internal to the social entrepreneur (e.g. entrepreneurs’ motivations and incentives) or internal to the organization (e.g. how social ventures balance competing logics of action; Low, 2006). However, very little work has examined the system in which a social entrepreneur is a part (an exception is Rymsza (2015) who examines how social entrepreneurs can improve the social cohesion of their local communities). The limitations of work focusing exclusively on the individual or the organization, and ignoring social entrepreneurs’ positions within a web of other individual, organizational, institutional, and cultural forces, are that in doing so it is akin to analyzing a firm without acknowledging that it resides within an industry or within a cluster of other firms. Thus, by drawing attention to the fact that the ecosystems in which social entrepreneurs operate will vary in terms of their development along several dimensions (diversity of funders, support agencies, etc.), it is highlighted that the success or failure of a social venture is not entirely the result of an entrepreneur, an organization of actors, or even an entrepreneur’s (or organization’s) immediate connections. Social ventures’ success may be, in part, attributable to the collection of entrepreneurs, funders, support organizations, and other social and non-social entrepreneurs located in the same ecosystem. The theory presented begins to address calls to examine how interacting sets of factors influence the supply of social entrepreneurs (e.g. Spear, 2006). In addition, it suggests that the adage “it takes a village to raise a child” may have analogous applications to social entrepreneurs. Thus, scholars are urged to broaden their lens of inquiry to consider the larger ecosystem of influences on social entrepreneurship.

Work on social entrepreneurship is moving away from definitions of the phenomenon that emphasize the creation of “social value.” Such definitions are criticized for bordering on tautological – that is, they claim that social entrepreneurs are defined by their focus on creating social value to address social problems. Beginning with the work of Santos (2012), definitions of social entrepreneurship have centered less on the concept of social value and more on the creation of positive externalities. Specifically, social entrepreneurs are conceived as those market actors whose “distinctive domain of action […] is addressing neglected problems in society involving positive externalities” (Santos, 2012, p. 342). This definition suggests that while other entrepreneurs and firms may generate positive externalities, what is unique about social entrepreneurs is that the creation of such externalities is their primary motivation rather than an unrecognized or unintended “spillover” effect of their activities. In other words, social entrepreneurs create and operate their organizations with the primary aim of creating positive externalities and are not preoccupied with capturing the value they create (Santos, 2012).

As an example, consider Raven + Lily, a for-profit, Austin, Texas-based social venture with an increasingly common business model. The social entrepreneurs that operate Raven + Lily seek to alleviate poverty among women in Ethiopia, Cambodia, and other developing countries. They pursue this social mission by providing women with the skills necessary to create jewelry, clothing, and accessories, which Raven + Lily then imports and sells to consumers in the developed world. However, the women artisans the social venture employs are not treated only as wage earners. Raven + Lily focus on not only providing women with sustainable wages, but also providing their villages with health care, educational programs, and the tools necessary to break from the cycle of poverty. Thus, the focus of the organization is on increasing the positive externalities created by selling their products. The generation of profit is a goal of the business; however, it is not the primary aim and is, instead, viewed as a means to an end (i.e. as the means of funding the creation of positive externalities).

Studies examining social ventures as firms aimed at creating positive externalities have not, however, examined the spillover effects of such organizations on the entrepreneurial
ecosystems in which they are located. However, the theory put forward in this paper suggests that in addition to the value social entrepreneurs generate for the groups they directly intend to serve, their activities can also produce other benefits (e.g. attracting attention to the ecosystem or increasing its diversity) which serve to strengthen an entrepreneurial ecosystem and benefit its participants. Thus, while social and traditional entrepreneurship are phenomena that are conceptually distinct, in practice, the actions and activities of one group may influence the success of the other.

**Implications for entrepreneurial ecosystems**

Scholars are devoting extensive attention to identifying and examining the key components of entrepreneurial ecosystems. More recently studies have begun to focus on the inter-relationships among ecosystem components. However, prior research has not theorized about how the composition of an ecosystem, and its structure as a complex system, can influence the founding and operation of individual types of entrepreneurs (beyond the general focus on “high-growth” entrepreneurs). The theory presented suggests that entrepreneurial ecosystems are indeed complex systems in that the system is both constituted by the actions of individual social entrepreneurs (and types of entrepreneurs) and also shapes the actions and outcomes of those individual agents.

In addition, scholars argue that one reason entrepreneurial ecosystems should be conceived of as complex systems is because of the nonlinear dynamics of such systems (e.g. the positive and negative feedback loops), which are a key property of complex systems (Roundy et al., 2016). The relationship proposed between social entrepreneurs and entrepreneurial ecosystems represents just such a nonlinear relationship and, specifically, a positive feedback loop. A positive feedback effect results in one of the components of a relationship increasing or decreasing indefinitely (e.g. when a population increase (or decrease) leads to even more population growth (or death); Manson, 2001). It is proposed that as the number of social entrepreneurs increases, there will be an increase in the number and type of funders, which in turn will increase the number of social entrepreneurs. These proposed effects reinforce the appropriateness of scholars’ conceptualizing entrepreneurial ecosystems as complex systems instead of focusing on individual components or dyadic relationships.

**Implications for practitioners**

If the theory proposed finds empirical support, it suggests several concrete implications for practitioners. First, individuals with the goal of strengthening an entrepreneurial ecosystem or increasing its vibrancy should consider the extent to which the ecosystem encourages social entrepreneurship. As argued, making an ecosystem attractive to social entrepreneurs (e.g. by attracting diverse funders) can have many benefits to the ecosystem, such as increasing the system’s entrepreneurial diversity and attractiveness and capturing the attention of the media and other stakeholders. This suggests that entrepreneurial ecosystems should not focus solely on promoting high-growth entrepreneurship and that support organizations (incubators, accelerators, small business development centers) responsible for encouraging entrepreneurship should provide aspiring and early-stage entrepreneurs with the skills necessary to create a wide variety of new ventures. Although high-growth entrepreneurs may, on the surface, generate the most direct economic impact, to create an entrepreneurial ecosystem that is resilient to disruptions and able to adapt may require diversity in ecosystem components. Thus, a “healthy” entrepreneurial ecosystem may be one that contains several types of entrepreneurs and investors. The theory also suggests that if an entrepreneurial ecosystem is lacking social entrepreneurs, this may be attributable to not fostering the type of macro-environment conducive to social entrepreneurship.
It is also suggested that social entrepreneurs should consider the stage of development of the entrepreneurial ecosystem in which they plan to create their social ventures. For instance, does the ecosystem have the network of entrepreneurs, investors, institutions, and culture necessary to support a budding social venture? Thus, the theory presented suggests that while intra-organizational issues, such as how social entrepreneurs manage the tensions between economic and social welfare logics, are important, it is also critical for social entrepreneurs to look outside of their organizations to consider the web of entrepreneurial activities in which they are positioned.

Finally, policymakers should be mindful that social entrepreneurship is not without challenges. First, it is difficult to create organizations that are both financially sustainable and able to generate sustained social value for beneficiaries. Engaging in the activities involves the combination of two very distinct logics – that is, ways of thinking and organizing (Thornton and Ocasio, 1999): an economic logic and a social services logic. The difficulties inherent in combining multiple logics are widespread and produce an ongoing tension that social entrepreneurs must manage (e.g. Pache and Santos, 2013). Second, social entrepreneurship should not be viewed as a “silver bullet” for social problems (or the development of entrepreneurial ecosystems). There are societal problems that cannot be solved through social entrepreneurship and the application of market mechanisms; such problems may be better addressed by traditional nonprofit organizations or philanthropy. Thus, social entrepreneurs remain just one type of agent in entrepreneurial ecosystems and the ecosystems surrounding social problems.

Directions for future research
The clearest opportunity for future scholars examining the intersection of social entrepreneurship and entrepreneurial ecosystems is to empirically verify the relationships proposed in this paper. One challenge to testing the proposed relationships is the nonlinear nature of many of the proposed effects. For instance, a positive feedback effect was proposed between the number and type of investors in an ecosystem and the number of social entrepreneurs. The use of quantitative methodologies to examine such systems can be difficult, although not impossible (cf. work using formal simulations and machine learning techniques, such as cellular automata (e.g. Morel and Ramanujam, 1999) and adaptive autonomous agent models (e.g. Janssen et al., 2000)).

Qualitative methods, however, are particularly well suited for examining relationships with the characteristics discussed. There is growing interest in economics in the methodological advantages of qualitative data and methods (e.g. Chamlee-Wright, 2010; Starr, 2014). Specifically, the richness of qualitative data allows scholars to unpack the multi-faceted characteristics of entrepreneurial ecosystems and tease apart the causal relationships in such ecosystems (cf. Graebner et al., 2012). Qualitative data are also well suited for capturing the communication and discourse of ecosystem participants. Since many of the dynamics discussed (e.g. the enacting of culture, the pursuit of resources) involve communication, qualitative data may be especially useful for examining the propositions presented.

Finally, entrepreneurial ecosystems are increasingly viewed as means of revitalizing areas of economic stagnation and decline. At the same time, governments and policymakers are turning to social entrepreneurs to address some of the most significant problems facing society. Thus, although they are distinct phenomena, the creation of entrepreneurial ecosystems and social entrepreneurship represents activities at the confluence of economics and society which overlap in the expectation that, moving forward, they will be critical to economic development and wealth creation.
Notes
1. Regarding terminology, social entrepreneurs will be contrasted with conventional (i.e., non-social) entrepreneurs. Social entrepreneurs create organizations referred to as “social ventures.”

2. In addition to diversity in the availability of investor types, it may also be necessary to have a wide array of consumer types available to purchase social entrepreneurs’ goods and services. While it can be beneficial for an entrepreneurial ecosystem to have “early customers” (Isenberg, 2011) that are lead users of innovations (e.g., Bahrami and Evans, 1995) or that desire to engage in socially responsible consumption (cf. Bray et al., 2011), it is not necessary for such consumers to be located within the confines of the entrepreneurial ecosystem. In contrast, locality is important for investors because they tend to make decisions based, in part, on the proximity of entrepreneurs (Sørheim and Landström, 2001).

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