Toward Entrepreneurial Community Development

Leaping Cultural and Leadership Boundaries

Edited by
Michael W-P Fortunato and
Morgan R. Clevenger
Toward Entrepreneurial Community Development

*Toward Entrepreneurial Community Development* is about developing entrepreneurial communities, and goes beyond theories of the firm to demonstrate how local and regional society contributes in important ways to the vitality of entrepreneurs. The literature is rich with insights about leadership and culture within small and medium enterprises (SMEs), and the behaviors and attitudes of their founders, founding teams, and managers. Since most of the attention in the entrepreneurship literature is focused on firms, we wish to explore everyone else: the social environment surrounding the entrepreneur and how leadership and culture outside the firm can have pervasive effects on the business.

This book reaches across disciplinary boundaries, integrating and advancing knowledge on entrepreneurial community development. The book identifies actionable leadership strategies that can be used by literally anyone to help make a community or region a more culturally supportive, interactive home for entrepreneurial minds. We draw from original research to compare high and low-entrepreneurship communities, and present an emergent picture of how community-level actors can (or fail to) work together to support entrepreneurship in places that are culturally distant from the Silicon Valley (i.e., most places). *Toward Entrepreneurial Community Development* then offers techniques for entrepreneurial community leadership, including how to build lasting alliances, create an image, and harness the local culture for entrepreneurial advantage.

The result is a book that provides the reader with the latest advancements and techniques in entrepreneurship development in a straightforward, readable format. No matter the reader, *Toward Entrepreneurial Community Development* demonstrates how anyone, in any position, can lead a local entrepreneurship movement starting anywhere, anytime.

Michael W-P Fortunato is an Assistant Professor of Sociology and Director of the Center for Rural Studies at Sam Houston State University, USA.

Morgan R. Clevenger is an Assistant Professor of Entrepreneurship at the Jay S. Sidhu School of Business and Leadership at Wilkes University, USA.
This series extends the meaning and scope of entrepreneurship by capturing new research and enquiry on economic, social, cultural and personal value creation. Entrepreneurship as value creation represents the endeavours of innovative people and organisations in creative environments that open up opportunities for developing new products, new services, new firms and new forms of policy making in different environments seeking sustainable economic growth and social development. In setting this objective, the series includes books which cover a diverse range of conceptual, empirical and scholarly topics that both inform the field and push the boundaries of entrepreneurship.

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Edited by Michael W-P Fortunato and Morgan R. Clevenger
This book is dedicated to my mentors, Diane McLaughlin, Ted Alter, and Bunny Willits at Penn State University; to the memory of my grandfather, Bill Lawrence, an entertainer and entrepreneur par excellence; and most especially to Amy Schmalz, my constant inspiration and confidant who by some miracle still tolerates me each day.

– Michael

For my father, Ronald G. Clevenger, who has always been an entrepreneur, community citizen, and local leader.

– Morgan
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Creating a book about entrepreneurial community ecosystems led to the opportunity of exploring key history, various models and ideas, evaluating research in multiple fields at their cross sections, and having many conversations with scholars and practitioners on the matter. What is presented in this book is a macro discussion of key topics from a 30,000-foot bird’s eye view. The next product will be a case study book—including current research being conducted by the co-editors in Pennsylvania and Texas.

*Toward Entrepreneurial Community Development: Leaping Cultural & Leadership Boundaries* is about developing entrepreneurial community ecosystems, and goes beyond theories of the firm to demonstrate how local and regional society contributes in important ways to the vitality of entrepreneurs. The literature is rich with insights about leadership and culture within SMEs, and the behaviors and attitudes of their founders, founding teams, and managers. Since a majority of the attention in the entrepreneurship literature is focused on individuals, firms, and the strategic behaviors they exhibit, we wish to explore everyone else: the social environment surrounding the entrepreneur and how local leadership and culture can have pervasive effects on the business.

*Entrepreneurial community development* reaches across disciplinary boundaries, integrating and advancing knowledge on entrepreneurial community development. This book identifies actionable leadership strategies that can be used by literally anyone to help make a community or region a more culturally supportive, interactive home for entrepreneurial minds. We draw from a wide range of literature, prior research initiatives, and original research to compare high- and low-entrepreneurship communities, and present an emergent picture of how community-level actors can (or fail to) work together to support entrepreneurship in places that are culturally distant from the Silicon Valley (i.e., most places). The book then offers techniques for entrepreneurial community leadership, including how to build lasting alliances, lead ecosystems at the macro-level, and harness the local culture for entrepreneurial advantage. The result is a book that provides the reader with the latest advancements and techniques in entrepreneurship development in a straightforward, readable format. No matter the reader,
Toward Entrepreneurial Community Development demonstrates how anyone, in any position, can work with others to lead a local entrepreneurship movement starting anywhere, anytime.

This book explores what gives some communities an entrepreneurial culture, while other communities struggle to support entrepreneurship development. The book has the following aims: (1) to integrate and advance the fragmented and sometimes discordant literature on entrepreneurial communities in order to present a cohesive view of the nexus between entrepreneurship and community economic development, based in theory and research; (2) to offer an alternative approach to a “prescription” for entrepreneurial communities, demonstrating multiple viable paths toward entrepreneurialism rooted in a citizen-driven culture of place; (3) to provide an overview of entrepreneurial community development and leadership through the current day, as an educational guide or classroom text for students and researchers; (4) to offer strategies for both formal and informal community leaders for building alliances from scratch, empowering entrepreneurs and creating forums and platforms for their voices to be heard, and keeping busy people coming back for more; (5) to develop real, actionable implications and suggestions for individuals as diverse as researchers, economic development practitioners, entrepreneurs, and policy makers; and (6) to tackle the sometimes complex theoretical world of entrepreneurship in plain language that is accessible to anyone.

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Contributors

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1 An Introduction to Entrepreneurial Community Development

Michael W-P Fortunato and Morgan R. Clevenger

Entrepreneurship is a global phenomenon—a human behavioral process that can be observed across cultures, across geopolitical regions, and across vastly different kinds of people. While often lumped together into a singular grouping, entrepreneurs comprise a diverse group of human beings—as diverse as the many ventures they create (Davidsson, 2009; Gartner, 1985)—from cutting-edge, high-tech blockbuster entrepreneurs who launch paradigm-changing products and services to lifestyle entrepreneurs who enrich their communities by sharing their passions as well as from serial entrepreneurs strategically launching whole portfolios of companies to the accidental entrepreneur who creates something new only to find that “surprise!” someone is willing to pay for it! Entrepreneurship is a phenomenon that both delights and puzzles scholars and economic development practitioners. For anyone who cares about novelty, innovation, new offerings, product improvements, innovative services, solutions to common problems, and just plain old convenience, entrepreneurship represents the power to harness real resources and talent behind the spirit of ideation and the pursuit of opportunity—all while bearing the risk of financial, professional, and reputational loss. Schumpeter (1934) was the first economist to recognize the cyclical, chaotic, sometimes brutal world of entrepreneurship, defining entrepreneurs as the creative destroyers who shatter old markets in favor of newer, more innovative and relevant markets. A true pioneer of entrepreneurship scholarship, Schumpeter (1934) did more to clarify the role of the entrepreneur than any other single scholar of his time.

The story of entrepreneurship feels like a hero’s tale (Lichtenstein & Lyons, 2010) through which a brave protagonist conquers impossible odds and great perils to solve the world’s most pressing problems, or to provide value and relief to the masses. The tale revolves around the individual’s struggle to seek opportunity at all cost and, using some ingenuity, the ability to find and reallocate resources strategically to exploit the opportunity (Shane, 2003). The “hero’s tale” may at least partially explain why entrepreneurship is such an alluring topic for so many, and why entrepreneurial success stories frequently dominate Western media, and increasingly, global business school curricula in colleges and universities.
Entrepreneurship is fundamental to the cultural history of many nations, particularly the United States, beginning with early settlers and founding fathers (Richards & Bulkley, 2007), and later championed by immigrant classes as well (Light & Bonacich, 1991; Portes, Guarnizo, & Haller, 2002; Saxenian, 2002). Many immigrants are among the most risk-tolerant of their peers, leaving familiar surroundings with few belongings to prosper in an unknown land. Thanks to its strengthening legal protections, its burgeoning urban environments, its rich resource base, and openness to immigration, America has thus become a self-selection experiment attracting hardier risk takers from around the world, and thrusting them into an environment that embraces capitalism, self-reliance, and innovation. It is hard to imagine the course of the United States’ social and economic trajectory without some of the classic innovations that have emerged since the early Industrial Revolution.

This spirit has spread to other nations as well, and self-employment has long represented the most basic, historical way that individuals would bring their talents and resources to the marketplace (Aronson, 1991). Even as of this writing, “Countries such as Hungary, Denmark, Finland, New Zealand, Sweden, Israel, and Italy all have higher startup rates than America does” (Clifton & Badal, 2014, p. 11). In developing nations across the world, entrepreneurship is increasingly seen as a path to collective prosperity and opportunities for entrepreneurship appear to be rising (Ho & Wong, 2007; Naudé, 2013). Given the importance of entrepreneurs historically and globally, it is little wonder why successful entrepreneurs receive such positive attention today.

Much deeper than the “heroism” of entrepreneuring, there is a more layered story—one where the hero does not always win, where excellent ideas can flounder if the conditions are poor, and where life-cycle phases of launch, growth, maturity, and decline continuously refresh and rejuvenate the economy—often at the cost of an entrepreneurial venture failing along the way. Few people who launch businesses rise to any level of notoriety or stardom, and for many people—especially in developing economies—necessity-driven entrepreneurship can be the only real option for making a living (Bosma & Levie, 2009). Without entrepreneurs, whole economies would surely fail, starved by the domination of large bureaucracies, unsolved societal problems, and a lack of innovative progress. Research illustrates that everything from start-up rates to failure rates, high-growth to low-growth businesses, opportunistic serial ventures to the harsh realities of necessity-oriented entrepreneurship, all vary widely from place to place (see Kelley, Singer, & Herrington, 2016 for a global perspective). The reasons for these variations are broad, ranging from differences in laws, rules, cultural norms, the nature of the marketplace, access to capital and critical infrastructure, access to key markets, beliefs about the future, the ease of starting a business, and corruption and lawfulness to name a few (Kelley et al., 2016). It can be said that place, and the environmental context in
which entrepreneurship occurs, is in many ways just as important as the actions of entrepreneurs themselves. In the end, it is entrepreneurs who start businesses, but the social, environmental, economic, and institutional framework of places can fundamentally influence the likelihood of entrepreneurial success or failure for entire societies.

Moreover, these individualistic, heroic entrepreneurs rarely, if ever, act alone in their journey. They are often times supported by their family, their business partners, teams, and perhaps most of all, their community. In the world of business and economics, a key feature of "places" that is often overlooked in favor of an examination of market conditions is culture. There is a substantive literature on the impacts of national culture on phenomena like entrepreneurship, but a far lesser focus on the culture of localities and regions (Breazeale, Fortunato, Allen, Hustedde, & Pushkarskaya, 2015; Hustedde, 2007). At a far more localized level than nations, the unique culture of communities, based on the attributes of the local society and the unique history of place, can equally impact entrepreneurial outcomes. Wilkinson (1991) notes that, beyond the family, a person’s community is his or her first introduction to society. It follows that the norms, mores, and traditions of these communities can strongly influence the entrepreneurial spirit at a local level, and the propensity of would-be entrepreneurs to launch a venture in the first place. Along with the specific culture and history of place, local leaders from both the public and private sector often serve as the standard-bearers of the local culture. They are frequently members of influential local organizations and are especially well positioned to create pathways to entrepreneurship, or divert attention and resources away from entrepreneurs toward other projects perceived to be more valuable. The nexus between culture, history, and leadership is a recurring theme throughout this book. The analyses presented here will help to illustrate why two neighboring towns or counties with so much in common can have very different entrepreneurship and self-employment rates as a result of dynamic forces at this nexus.

All of these concepts matter to the extent that they can influence the actions or inactions of potential and existing entrepreneurs. The deliberate cultivation of a community that fosters entrepreneurial action through a supportive culture and effective local and regional leadership is this book’s definition of entrepreneurial community development. It is a complicated term, mostly because it consists of ideas that have a multitude of definitions, conceptualizations, and interpretations that have different meanings in different fields. Entrepreneur, community, and development are ideas that are in transformation as many disciplines seek to unpack what it means to be an entrepreneur, what it means to live and work in a community, and what constitutes development and why it matters. As one author states, “Entrepreneurship remains a complex and multidimensional research object” (Fayolle, 2014, p. 1), but this is well established in the literature. What is less well established is how anyone—from entrepreneurs to economic development professionals to researchers to local leaders—can encourage individualistic
entrepreneurs to reap the benefits of working collaboratively. These interactions (among individuals and organizations) only become more complicated as “collaboration” moves to “community,” which includes many actors who are not entrepreneurs, but who can play a fundamental role in supporting entrepreneurship.

The book uses the term *community* often, but this is not a term to be taken lightly. It is not only just a collection of people nor a geographic place where people live and work. According to Theodori (2005), a community has (1) a geographic dimension (i.e., a locality), (2) human life dimension (i.e., people living there), and (3) relatively complete organization (i.e., institutions and patterns of behavior that cover the broad range of human interests) (p. 663). “Each feature is a necessary but not sufficient condition for community” (Theodori, 2005, p. 663), which positions community as a variable, rather than a constant. There are varying degrees to which *community* is present at any time, and this consideration is equally true for communities of entrepreneurs. Communities are dynamic, not static. While some elements of an effective community may be present at one time, these elements may not be sufficient to provide adequate support for entrepreneurship. Similarly, any of the social actors within a community are equally capable of creating barriers to entrepreneurial action as they are supports: something that Honig and Dana (2008) call communities of *dis*entrepreneurship. The culture and leadership found within communities, whose influence proliferates through human interaction in a particular geographic place, provides an important mechanism for understanding how communities of heightened entrepreneurship evolve over time.

This book, therefore, has three central themes. First, the book elevates the importance of *community* in understanding entrepreneurial action, and specifically how culture and leadership within the community contribute to experienced entrepreneurial outcomes in real places. Second, the book seeks to move beyond static models of the community toward increasingly dynamic models that evolve over time. The book uses the term *ecosystem* to describe evolutionary processes of entrepreneurship development—an idea covered extensively in Chapter 3. Finally, the book is purposive. The ideas presented here are intended to be used by practitioners and applied researchers alike. The book seeks to uncover better ways to study entrepreneurs in a community environment and to understand better the nexus between entrepreneurs and their communities. It also draws from these ideas to present relevant, actionable strategies that anyone can use to support entrepreneurship locally, focusing on ways to leap over common cultural and leadership barriers that impede entrepreneurial action.

The themes explored in this book thus revolve around two major research and practice questions. First, if entrepreneurship rates, and the rates of entrepreneurial success, vary from place to place, what does the community contribute to this variability? Second, can the cultural and leadership dynamics of a community enhance or inhibit entrepreneurship, and if so, how can a more supportive culture and leadership style be cultivated over time?
Introduction

The concepts presented emphasize multidisciplinary dimensions and a historical context perspective, with an encouragement for more research—particularly qualitative sharing the essence of lived experiences. In looking at levels of analysis for entrepreneurship, much has been studied at the individual, firm, national, and global levels. The unit of analysis—and admittedly most complex—is that of the community level, thus entrepreneurial communities. This topic is understudied. This book expands on the knowledge of entrepreneurial community development.

Chapter Descriptions

The chapters of this book present thinking by established scholars and practitioners with expertise in their given professions on the topic of how communities can support entrepreneurship at a local and regional level. These chapters examine different dimensions of entrepreneurship development, from entrepreneurial leadership and psychology to theoretical frameworks for understanding and examining entrepreneurial communities. In the final chapter, Chapter 10, the editors explore a reflection on the content of the book, provide opportunities for additional ideas, set forth future research directions, and summarize the entrepreneurial community development discussion. In each chapter, extra attention is given to ensure that the discussion informs both research and practice simultaneously, and recognizes the promise of a development practice informed by research, and research informed by development practice (see Flyvbjerg, 2001; Schön, 1983). Provided here is brief synopsis of each chapter.

Chapter 2: Perceptions of Entrepreneurs and Community: From Historical Roots to a Contemporary Kaleidoscope

Chapter 2 creates a backdrop for the book’s focus on entrepreneurs and communities and examines the entrepreneur and the community in a modern context. The chapter integrates across definitions and reviews concepts that will be used throughout the rest of the book. The chapter moves beyond the view of the entrepreneur as an “agent” working in a contextual “environment.” It more soundly presents the community as a group of co-actors (i.e., both individuals and organizations) with the power to enhance—or inhibit—the ability of the entrepreneur to succeed, right down to his or her choice to launch a business in the first place. The community is thus a field of action from which leaders and champions can emerge, including those that place a very high or low value on entrepreneurial action.

Chapter 3: Models of Entrepreneurial Community and Ecosystem Development

Chapter 3 offers a review of the literature on four frameworks that describe the contextual environment in which entrepreneurs operate: facilitating
conditions, national and regional policy, entrepreneurial communities, and entrepreneurial ecosystems. The chapter integrates across the current literature, comparing and contrasting these diverse models and highlighting the contributions (and gaps) of major studies within each framework category. This integration creates a starting point for understanding which ingredients, processes, and approaches are useful for studying and/or launching an entrepreneurial community, and strengthening the local environment for entrepreneurship. The chapter ends by clarifying the role of culture and leadership within each framework and why this matters for entrepreneurship development.

**Chapter 4: Understanding the Impact of Culture in Entrepreneurship**

Chapter 4 describes the current research at the nexus of entrepreneurship and place—otherwise referred to as “entrepreneurial geographies,” with a focus on an often hidden aspect of this contextual dimension: culture. The contours of this area of scholarship are highlighted, drawing out the main insights from empirical research on this topic. In particular, differentiation between the culture and structure of society at these different levels of analysis are examined.

**Chapter 5: Transformational Leadership to Build an Entrepreneurial Community**

Chapter 5 demonstrates the various leadership roles played by formal and informal leaders across the community, and how transformational leadership can be more effectively harnessed to support entrepreneurship. This chapter is important for economic development readers in particular, as formal community leaders are still primarily viewed as “gatekeepers” of decision making around economic development strategy. This chapter presents a more holistic, multi-agent view, and situates transformational leadership as an important (and often overlooked) type of leadership development in the community.

**Chapter 6: The Value and Process of Social Networking for Entrepreneurs**

Across entrepreneurial community models, there is strong agreement that teamwork is absolutely necessary to make a community a better place for entrepreneurs. Chapter 6 demonstrates ways that anyone in a community can start building an alliance supporting entrepreneurial action. The chapter covers important elements for building meaningful strategic partnerships, giving the partnership a voice and a presence in the community, and managing competition and conflict in the process. Concepts of social network, trust, and social capital are also discussed.
Chapter 7: High- and Low-Entrepreneurial Communities: A Multiple Case Study

Chapter 7 presents an updated chapter from Fortunato’s (2011) dissertation on the cultural, social, and institutional differences between high- and low-entrepreneurship communities. The chapter examines the experiences of entrepreneurs and local institutional actors across six communities in Maine, Pennsylvania, and Wisconsin—three with high rates of entrepreneurship, and three with low rates. The stories of participants reveals “many paths forward” for highly entrepreneurial communities rooted in common habits of networking and purposive interaction. Consequently, the scar of industrial development is still felt in low-entrepreneurship communities seeking to break free of an external capital-driven, wage-employment structure, thus placing a firm grip on those who would become entrepreneurs.

Chapter 8: Analysis of the Case Study Data: Considerations for Studying or Launching an Entrepreneurial Community or Ecosystem

Chapter 8 builds upon Fortunato’s (2011) dissertation data from Chapter 7, examining some of the qualitative results with respect to the process of developing a more proactive entrepreneurial community. This chapter uses the case study data to identify specific techniques for leaping a variety of boundaries to entrepreneurship. Entrepreneurial actions in the Chapter 7 case studies are compared using models presented in Chapter 3 to understand the strengths and weaknesses of the four main approaches to entrepreneurial community development. This chapter is targeted toward both researchers and practitioners to discuss not only how to study entrepreneurial communities but also how to take deliberate, conscientious steps toward creating an entrepreneurial community or ecosystem in any place.

Chapter 9: Entrepreneurial Community Success: Psychological Characteristics, Experiences, and Identities

Chapter 9 provides insight about engaging entrepreneurs by cultivating a deeper understanding of entrepreneurial psychology. This chapter explores the tension between an entrepreneur’s independent identity and the benefits of collective action, teams, and working groups of entrepreneurs. Through this exploration, strategies are highlighted for anyone who seeks to engage entrepreneurs and empower them with leadership in the development of an entrepreneurial community or ecosystem.

Chapter 10: Leaping Cultural and Leadership Boundaries: Catalyzing Entrepreneurial Communities

Chapter 10 summarizes the lessons learned in the book, discusses the strengths and weaknesses of the approach, and develops implications and
action items for a wide variety of potential readers. We then call these individuals to action, asking them to put down the book and take the first step toward meaningful, lasting social and community change.

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Models of Entrepreneurial Community and Ecosystem Development


Understanding the Impact of Culture in Entrepreneurship


Transformational Leadership to Build an Entrepreneurial Community


Group & Organization Management, 36, 223□□□270.


The Value and Process of Social Networking for Entrepreneurs


High- and Low-Entrepreneurial Communities


Fayolle, A. (2014). What we know and what we need to know in the field of entrepreneurship. In A. Fayolle (Ed.), Handbook of research on entrepreneurship: What we know and what we need to know (pp. 1-2). Northampton, MA: Edward Elgar.


Analysis of the Case Study Data


Entrepreneurial Community Success

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Leaping Cultural and Leadership Boundaries


