



Institutional Pathways in the Support of Social Entrepreneurs: The Role of Municipalities

Van Mensel, E.^{1,2,3*} Leyen, B.¹, Dentchev, N.A.^{2,1}

¹Vrije Universiteit Brussel; ²University of National and World Economy; ³American University in Bulgaria

*evmensenl@aubg.edu

Short Paper

Contribution to the Ecosystems in Support of Sustainability track, 10th New Business Models Conference, San Sebastian, Spain, July, 2024

Abstract

This research contributes to the existing body of knowledge by offering empirical insights into the changing landscape of municipal support for social entrepreneurship. By referencing and building upon previous studies, we contextualize our findings within the broader scholarly discourse, highlighting both continuities and innovations in municipal approaches to promoting social impact and inclusive development.

Keywords

Social entrepreneurs, municipalities, support, institutional theory

Introduction

Governments are increasingly stimulating the development of the social economy in an effort to fill institutional voids and address market failures (Krlev et al., 2023). As part of social economy, social entrepreneurs (SEs) have a mission to find innovative solutions for solving social problems (Mair & Martí, 2006; Zahra et al., 2009). Research more often focuses on the various actors who support SEs in their mission. Support by governmental institutions has been instrumental in the stimulation and development of SEs. This support is crucial as SEs quest to sustain a dual mission often requires external resources and expertise. Another way for governments to foster social entrepreneurship is when they support SEs through local municipalities. Municipalities are well-placed to provide value to SEs (Bozhikin et al., 2019). Research is starting to focus on how SEs can benefit from the resources of municipalities, knowledge base and rich networks (Bacq & Eddleston, 2018; Krlev et al., 2023).

Although governments are usual suspects in the support of SEs, we often miss clarity on the different roles they have. The different ways of supporting social entrepreneurs are often described as homogenous policies on a macro level. Attempts have been made to explain more in further detail the role of local governments, or to distinguish a variety of archetypes (Diaz Gonzalez, A. Dentchev, 2021; Korosec & Berman, 2006). This knowledge gap has been underlined by Muriel & Nyssens (in Krlev et al., 2023, p. 217):

“What institutional development (public policies, norms, legal forms, intersectoral partnerships, and so on) can support the scaling up and sustainability of different SE models?”

Following this question, we explore the unique approaches municipalities apply to support social entrepreneurs. Municipalities are close to the people and their social problems, therefore we will focus on the role of municipalities in the support of SEs. Therefore, the ideas presented in this work are guided by the research question: “What are the types of institutional developments at municipalities that support social entrepreneurs?”

To answer this question, we explore the mechanisms applied by municipalities in support of SEs through the institutional theory lens (North, 1990; Scott, 1995). We find new

emerging forms of institutional development and types of partnership between municipalities and social entrepreneurs. We apply this theoretical lens on 30 in-depth interviews with key stakeholders from four different municipalities in the Netherlands, Belgium and Bulgaria.

Literature review

Social Entrepreneurs

Social entrepreneurs (SEs) address complex social challenges through innovative methods and approaches (Mair & Martí, 2006). Recognized for its potential, social entrepreneurship (SE) has been instrumental in combating poverty (Bloom, 2009), driving social change (Alvord et al., 2004), promoting inclusive economic growth (Ansari et al., 2012), empowering marginalized groups such as women (Datta & Gailey, 2012), and catalyzing institutional transformations (Nicholls, 2008). Operating as hybrid organizations, SE entities utilize business profits to address specific social issues, reinvesting earnings rather than distributing dividends (Alter, 2007). According to Zahra et al. (2009, p.519), SE encompasses activities aimed at identifying and seizing opportunities to enhance social wealth by initiating new ventures or innovatively managing existing organizations. Social entrepreneurs are characterized as opportunity seekers who employ unconventional methods and resource allocation strategies to achieve both profitability and social impact (Dees, 1998). Their capacity for innovation is important, as they navigate novel approaches to address diverse societal needs (Anderson & Dees, 2006). However, social entrepreneurs encounter significant challenges in their pursuit to create both economic and social impact, including funding constraints, human resource management, networking barriers, and the complexities of scaling social impact and measuring outcomes (Diaz Gonzalez & Dentchev, 2020). These obstacles and their dual mission sets SEs apart from their commercial counterparts and hinder the full realization of their potential to effect meaningful social change (Autio et al., 2014). Among possible solutions is the support of the surrounding entrepreneurial ecosystem actors.

Entrepreneurial Ecosystems

The literature on entrepreneurial ecosystems has witnessed significant growth, highlighting their role in economic development and innovation (Stam, 2015; Theodoraki & Messeghem, 2017). Mazzarol (2014) defines entrepreneurial ecosystems as models fostering economic development through small business growth, entrepreneurship, and innovation. Isenberg (2011) identifies six key domains of entrepreneurial ecosystems, including culture, policies, finance, human capital, market accessibility, and institutional support. Key actors in ecosystems include government institutions, non-profit organizations, universities, financial institutions, and for-profit businesses, whose interactions drive economic growth and prosperity. Ecosystems serve as vital support structures aiding social entrepreneurs in navigating the challenges they encounter (Roundy, 2017). By connecting social entrepreneurs with diverse stakeholders and facilitating the exchange of knowledge, information, and resources, ecosystems enable them to fulfill their mission effectively (Griffiths et al., 2013). This collaborative environment fosters improvements in the efficiency and sustainability of social businesses, contributing to the development of communities, regions, and the environment (Calton et al., 2013; Meyskens et al., 2010). Spigel (2017) categorizes the elements of entrepreneurial ecosystems as cultural, social, or material, emphasizing the role of networks in identifying opportunities, absorbing ideas, and accessing capital (Anderson & Miller, 2003; Powell et al., 2005; Shane & Cable, 2002). Diaz Gonzalez & Dentchev (2020) classify ecosystem support into three main categories: Fuel, Hardware, and DNA, encompassing resource availability, infrastructure, and cultural factors. Governments are important actors in the process of promoting social entrepreneurship policies and securing funding for social entrepreneurs (Dentchev et al., 2017; Muftugil-Yalcin & Mooijman, 2023). Municipalities on the local level also have an important but underresearched role to play when it comes to supporting existing social entrepreneurs in the specific challenges they face.

Municipalities in support of social entrepreneurs

Bozhikin et al. (2019) outline six levels of government intervention aimed at fostering the growth of social entrepreneurship. Among these levels, municipal support stands out as particularly significant, given the close relationship between social enterprises and local government entities (Hogenstijn et al., 2018). Municipalities play a pivotal role in nurturing social entrepreneurship within their communities, leveraging their authority to create environments conducive to social innovation and enterprise development (Sullivan, 2007). Through policy frameworks and targeted initiatives, local governments establish the necessary conditions for social entrepreneurship to thrive (Korosec & Berman, 2006). These initiatives extend beyond mere policy formulation and infrastructure provision; they actively foster collaboration between social entrepreneurs and local communities. By engaging with stakeholders to identify community needs and facilitating partnerships, municipalities enable social entrepreneurs to address social challenges more effectively (Hogenstijn et al., 2018; Nel & McQuaid, 2002). Acting as anchor institutions, municipalities provide a stable support structure that assists social entrepreneurs in overcoming the challenges associated with scaling their ventures (Irani & Elliman, 2008). This support often goes beyond financial assistance to include mentorship, access to networks, and capacity-building programs, empowering social entrepreneurs to realize their visions and create lasting social impact. In addition, public assets in the form of real estate owned by municipalities, hold immense potential to support social entrepreneurship initiatives. Municipalities often possess underutilized or vacant properties that can be repurposed to catalyze social impact projects (Gawell, 2019). Thus, municipal support emerges as a vital component of the broader ecosystem nurturing social entrepreneurship and fostering sustainable community development. In well-developed ecosystems, this support is well-structured. In less developed ecosystems, this support is less expected and understood, yet a factor with increasing importance (Spigel & Harrison, 2017).

Institutional theory

Institutional theory examines the role of established rules, norms, and conventions in shaping the behavior and operations of organizations and individuals (DiMaggio & Powell,

1983; Scott, 1995). When looking at certain institutions, such as municipalities, institutional theory can help better understand how they best support social entrepreneurs (Dacin et al., 2010). Institutional theory illustrates how shaping regulatory frameworks, societal norms, and shared cognitive understandings is essential for municipalities to support social entrepreneurs.

Normative. The normative pillar encompasses the societal expectations and ethical norms that guide the actions of individuals and institutions (Scott, 1995). They guide the ethical considerations and social responsibilities (Meyer & Rowan, 1977) which can be instrumental for municipalities that support social entrepreneurship. This includes the promotion of social entrepreneurship as a means to address community needs and foster social innovation. This re-alignment of municipal policies with societal expectations can significantly impact the success of social enterprises (Austin, et al., 2006).

Regulative. Under the regulative pillar is understood the formal regulations, policies, and legal frameworks that exist inside institutions (Scott, 1995). Creating favorable legal conditions, offering financial incentives, and implementing policies that encourage the growth of social enterprises. They not only ensure the sustainability of existing social ventures but also lay the groundwork for the emergence of new entrepreneurial initiatives, thereby fostering an environment supportive of social entrepreneurship.

Cognitive/Cultural. The cultural-cognitive pillar focuses on shared beliefs and understanding within an institutional context (Scott, 1995). This includes how municipalities perceive the role of social entrepreneurship in societal development and the shared vision for community betterment. Municipal strategies are thus influenced by these collective cognitive frameworks, which drive the allocation of resources and development of partnerships with social entrepreneurs (Mair & Martí, 2006).

Methodology

In order to develop a deeper understanding of how municipalities support social entrepreneurs, this study adopts an exploratory case study approach (Yin, 2009). Our

research focuses on selected municipalities in the Netherlands, Belgium, and Bulgaria, chosen for their varied approaches to supporting social entrepreneurship. The selection of specific municipalities in the Netherlands, Belgium, and Bulgaria was guided by several factors aimed at capturing diverse approaches to supporting social entrepreneurship within different socio-economic and cultural contexts. Firstly, the Netherlands, Belgium, and Bulgaria were chosen due to their varying levels of development and distinct policy landscapes regarding social entrepreneurship. The Netherlands is often recognized as a frontrunner in the field of social innovation and entrepreneurship, with well-established support mechanisms and a conducive regulatory environment. Belgium, on the other hand, presents a unique federal structure, allowing for regional variations in policies and initiatives supporting social entrepreneurship. Lastly, Bulgaria represents a context where social entrepreneurship is emerging and gaining traction, presenting opportunities to explore nascent support systems and their potential for growth. Within each country, municipalities were selected based on criteria such as geographical diversity, population size, urban-rural divide, and existing initiatives supporting social entrepreneurship. This approach ensured a comprehensive representation of the varied municipal contexts and their approaches to fostering social innovation. Data collection for this study includes a combination of desk research and 30 in-depth semi-structured interviews with key stakeholders. These stakeholders include municipal officials, social entrepreneurs, and experts in the field of social entrepreneurship. We use purposive sampling to obtain views and experiences from a diverse group of participants (Lincoln & Guba, 1986). To ensure reliability, all interviews are audio recorded with prior consent from participants and fully transcribed. Observations are employed to ensure methodological triangulation to increase validity and reduce bias (Golafshani, 2015). The qualitative data from the interviews are supplemented with information obtained through desk research, including approximately 30 policy documents and reports. This triangulation of data sources enhances the reliability of the research findings. The data will be analyzed using specialized software and thematic analysis to identify key themes and patterns in the support mechanisms used by municipalities.

Preliminary Findings and Discussion

Data collection and analysis are still ongoing. Like observed by Krlev et al., (2023), we find that relationships between local government and social entrepreneurs are evolving from purely transactional to more relational. We are also witnessing a new form of support from municipalities in directly starting a social enterprise, which has been made possible by funding from the European Union. These social enterprises are not a separate legal body, but act on behalf and in the name of the municipality and have become a city symbol.

	Normative	Regulative	Cognitive/cultural
Transactional	Resource Acquisition	Assist Coordination and Implementation	Public procurement
Relational	Subsidies, funding, and grants	Laws, decrees and directives	Networking hub
Blended	Public-private partnerships	In-kind resources	Municipal social enterprises

Furthermore, our research builds upon the insights provided by Dentchev et al. (2017) and Muftugil-Yalcin & Mooijman (2023), which emphasize the importance of government involvement in promoting social entrepreneurship. These studies underscored the crucial role of municipalities in creating conducive environments through policy frameworks, infrastructure development, and fostering collaborations. Our findings align with this perspective, as we identify municipalities as key drivers of social entrepreneurship, actively initiating and supporting social enterprise initiatives. Moreover, our initial observation of a new form of support from municipalities aligns with the findings of previous studies that have highlighted innovative approaches to municipal engagement. Sullivan (2007) emphasized the role of local governments in promoting social entrepreneurship within communities through policy interventions and support mechanisms. Similarly, Hogenstijn et al. (2018) and Nel & McQuaid (2002) underscored the importance of collaborative approaches between municipalities and local communities in addressing social challenges effectively. Our research extends these insights by documenting the emergence of direct

municipal involvement in the establishment and operation of social enterprises, facilitated by funding from the European Union in areas of less developed municipal support. In addition, our typology of municipal support—transactional, relational, and blended—builds upon existing frameworks proposed Bozhikin et al. (2019). By categorizing support mechanisms based on their nature and scope, our study provides a comprehensive understanding of the diverse strategies employed by municipalities to promote social entrepreneurship. This comparative analysis enhances the robustness of our findings and underscores the evolving nature of municipal engagement in fostering social innovation.

Implications for Theory and Practice

Our identification of a shift towards relational support models holds significant implications for theoretical frameworks in social entrepreneurship and institutional theory. Drawing on concepts from institutional theory, such as institutional logics and institutional entrepreneurship, we interpret this transition as a response to changing normative and regulative pressures within the institutional environment. Our findings suggest that social entrepreneurs increasingly rely on relational networks to access critical resources and navigate complex institutional landscapes. By elucidating these theoretical linkages, our study contributes to advancing theoretical understanding of the institutional dynamics shaping social entrepreneurship ecosystems. The evolution towards relational support models has profound implications for policymakers, practitioners, and social entrepreneurs alike. Our findings underscore the importance of building strong networks and partnerships within local communities to foster collaborative initiatives and drive sustainable social impact. Policymakers can leverage these insights to design policies that incentivize relational approaches, such as funding programs for cross-sector collaborations or capacity-building initiatives for social enterprises. Additionally, practitioners can benefit from adopting strategies that prioritize relationship-building and network expansion, enhancing their resilience and effectiveness in achieving social goals.



Future Research Directions

There are several promising avenues for future research in this domain. Scholars could delve deeper into the mechanisms driving the transition towards relational support models, exploring the role of factors such as organizational culture, leadership dynamics, departments and institutional incentives. Furthermore, longitudinal studies tracking the evolution of municipal support initiatives over time would provide valuable insights into the long-term impact of relational approaches on social entrepreneurship outcomes. Additionally, comparative analyses across different geographical contexts could shed light on the contextual factors influencing the effectiveness of relational support mechanisms. By addressing these research gaps, scholars can enrich our understanding of the complex interplay between institutions, social entrepreneurship, and local governance.

References

- Alter, K. (2007). Social enterprise typology. *Virtue Ventures LLC*, 12(1), 1–124.
- Alvord, S. H., Brown, L. D., & Letts, C. W. (2004). Social Entrepreneurship and Societal Transformation: An Exploratory Study. *The Journal of Applied Behavioral Science*, 40(3), 260–282. <https://doi.org/10.1177/0021886304266847>
- Anderson, B. B., & Dees, J. G. (2006). Rhetoric, reality, and research: Building a solid foundation for the practice of social entrepreneurship. *Social Entrepreneurship: New Models of Sustainable Social Change*, 144–168.
- Ansari, S., Munir, K., & Gregg, T. (2012). Impact at the “Bottom of the Pyramid”: The role of social capital in capability development and community empowerment. *Journal of Management Studies*, 49(4), 813–842. <https://doi.org/10.1111/j.1467-6486.2012.01042.x>
- Autio, E., Kenney, M., Mustar, P., Siegel, D., & Wright, M. (2014). Entrepreneurial innovation: The importance of context. *Research Policy*, 43(7), 1097–1108. <https://doi.org/10.1016/j.respol.2014.01.015>
- Bacq, S., & Eddleston, K. A. (2018). A Resource-Based View of Social Entrepreneurship: How Stewardship Culture Benefits Scale of Social Impact. *Journal of Business Ethics*, 152(3), 589–611. <https://doi.org/10.1007/s10551-016-3317-1>
- Bloom, P. N. (2009). Overcoming consumption constraints through social entrepreneurship. *Journal of Public Policy and Marketing*, 28(1), 128–134. <https://doi.org/10.1509/jppm.28.1.128>
- Bozhikin, I., Macke, J., & da Costa, L. F. (2019). The role of government and key non-state actors in social entrepreneurship: A systematic literature review. *Journal of Cleaner Production*, 226, 730–747. <https://doi.org/10.1016/j.jclepro.2019.04.076>
- Dacin, P., Dacin, M., & Matear, M. (2010). Social entrepreneurship: Why we don’t need a new theory and how we move forward from here. *Academy of Management Perspectives*, 24(3), 37–57. <https://doi.org/10.5465/AMP.2010.52842950>
- Dentchev, N. A., Haezendonck, E., & van Balen, M. (2017). The Role of Governments in the Business and Society Debate. *Business and Society*, 56(4), 527–544. <https://doi.org/10.1177/0007650315586179>
- Diaz Gonzalez, A. Dentchev, N. A. (2021). Ecosystems in support of social entrepreneurs: a literature review. *Social Enterprise Journal*, 17, 329–360. <https://doi.org/10.1108/SEJ-08-2020-0064>
- Gawell, M. (2019). *Social enterprises and their eco-systems. Updated Country Report: Sweden*. <https://doi.org/10.2767/786387>
- Hogenstijn, M., Meerman, M., & Zinsmeister, J. (2018). Developing stereotypes to facilitate dialogue between social entrepreneurs and local government. *Journal of Innovation*

- and Entrepreneurship, 7(1). <https://doi.org/10.1186/S13731-018-0084-5>
- Irani, Z., & Elliman, T. (2008). Creating social entrepreneurship in local government. *European Journal of Information Systems*, 17(4), 336–342. <https://doi.org/10.1057/EJIS.2008.35>
- Isenberg, D. J. (2011). The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurships. *The Babson Entrepreneurship Ecosystem Project*, 1(781), 1–13. http://www.wheda.com/uploadedFiles/Website/About_Wheda/Babson Entrepreneurship Ecosystem Project.pdf
- Korosec, R. L., & Berman, E. M. (2006). Municipal support for social entrepreneurship. *Public Administration Review*, 66(3), 448–462. <https://doi.org/10.1111/j.1540-6210.2006.00601.x>
- Krlev, G., Wruk, D., Pasi, G., & Bernhard, M. (2023). Social economy science : transforming the economy and making society more resilient. *Oxford Press*, 496. <https://global.oup.com/academic/product/social-economy-science-9780192868343>
- Mair, J., & Martí, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36–44. <https://doi.org/10.1016/j.jwb.2005.09.002>
- Muftugil-Yalcin, S., & Mooijman, A. (2023, July 13). *Making sense of each other: Relations between social enterprises and the municipality*. Public Policy and Administration; SAGE PublicationsSage UK: London, England. <https://doi.org/10.1177/09520767231188790>
- Nel, E. L., & McQuaid, R. W. (2002). The Evolution of Local Economic Development in South Africa: The Case of Stutterheim and Social Capital. *Economic Development Quarterly*, 16(1), 60–74. <https://doi.org/10.1177/0891242402016001007>
- Sullivan, D. M. (2007). Stimulating Social Entrepreneurship: Can Support from Cities Make a Difference? *Source: Academy of Management Perspectives*, 21(1), 77–78.
- Nicholls, A. (2008). *Social entrepreneurship: New models of sustainable social change*. OUP Oxford.
- Roundy, P. T. (2017). Social entrepreneurship and entrepreneurial ecosystems Complementary or disjoint phenomena? *International Journal of Social Economics*, 44(9), 1252–1267. <https://doi.org/10.1108/IJSE-02-2016-0045>
- Stam, E. (2015). Entrepreneurial Ecosystems and Regional Policy: A Sympathetic Critique. *European Planning Studies*, 23(9), 1759–1769. <https://doi.org/10.1080/09654313.2015.1061484>
- Theodoraki, C., & Messeghem, K. (2017). Exploring the entrepreneurial ecosystem in the field of entrepreneurial support: A multi-level approach. *International Journal of Entrepreneurship and Small Business*, 31(1), 47–66. <https://doi.org/10.1504/IJESB.2017.083847>



NBM 2024

Zahra, S. A., Gedajlovic, E., Neubaum, D. O., & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24(5), 519–532. <https://doi.org/10.1016/j.jbusvent.2008.04.007>