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Entrepreneurship and community development: what matters and why?

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INVITED ESSAY

Entrepreneurship and community development: what matters and why?

Shortly before writing this essay, I had the opportunity to participate in a gathering of social entrepreneurship educators in New York City, sponsored by the Moxie Foundation. We were there to meet each other, many for the first time, and to explore avenues of collaboration. As an icebreaker, the organizers facilitated an opening exercise in which we were divided into groups of three. In round-robin fashion, we asked each other "What matters to you?" When that question was posed to each of us, we had two minutes to answer. It is a simple question; yet, it has the power to open a self-reflective door on one's values that allows a flood of complex thoughts to rush in. Concurrently, the time constraint imposed forces a concise, focused response. My attempt at answering this question as it relates to entrepreneurship and community development follows.

I have long been an advocate of entrepreneurship as a mindset, process, skill set, and tool kit that can help us solve the economic, environmental, and social challenges that our communities face. I believe in the power of the passion, determination, and resiliency displayed by entrepreneurs. I embrace the concept of using markets to accomplish social good. I ascribe to the entrepreneurial principle that one should not be limited by the resources one currently possesses in the pursuit of one's goals (Stevenson, 1983) but should strive to attract the resources of others to one's cause through the power of a shared vision for a better future. I accept as true that we all can benefit from the entrepreneur's restless and creative search for opportunities to add value to the lives of others and the innovation that brings new ideas to their intended markets (Drucker, 1985; Schumpeter, 1991). I believe that entrepreneurship in pursuit of community development matters.

Yet, answering the question "What matters to you?" carries with it a corollary question: "Why does it matter?" It is within the answer to this latter question that one's core values lie as well as one's motivation to act. If entrepreneurship-driven community development matters, why is it important? I believe that the answer can be found in one of the most pressing challenges our society currently faces: economic inequality.

It has been well documented that the gap between the wealthy and the poor is growing and that the middle class has been eroded significantly in the United States. This continues to perpetuate, and in some cases worsen, our social problems. Despite this, we remain mired in inaction. Government lacks the political will to address the problem. Many in the private sector resist action for fear that intervention in economic markets will kill the goose that laid the golden egg. Meanwhile, this situation is hurting us all.

The late Paul Newman, founder of Newman's Own, Inc., a social enterprise that gives all its after-tax profits to charity, stated the impact of economic inequality succinctly when explaining why he pursued his venture:

> The thing that makes the United States such an enviable place to invest in and to be in is that it's so stable. The more the gap starts to increase between the haves and have-nots, the rich and the poor, the employable and the unemployable, the less stability you're going to

> have, and the very great strength of the nation erodes. (Wei-Skillern, Austin, Leonard, & Stevenson, 2007, p. 190)

Looking at Newman's observation from the perspective of economic development theory, there are six prerequisites to any economy's development and its capacity to continue to develop: surplus, savings, investment, efficiency, equity, and stability (Hamlin & Lyons, 1996). Surplus permits money to be saved, which, in turn, can be invested in the infrastructure necessary for development. If this is done with efficiency, surplus will be maximized and the process perpetuated. However, if there is no equity, stability will ultimately be eroded and development slowed or stopped. By allowing economic inequality to grow, we are jeopardizing everything we have worked so hard to build over the past two and a half centuries. Economic equality matters.

This brings me to my thesis: entrepreneurship as a mechanism for fostering community development matters because it can help us address economic inequality in our communities and in our nation. Of course, like anything else, this requires intentional focus and a strategic approach. I will dedicate the remainder of this essay to my thoughts about how this can be achieved.

First, I believe, we need to broaden our definition of "entrepreneurship" and who is considered to be an "entrepreneur." In my opinion, too much attention has been, and continues to be, paid to individuals who launch high-growth, technology-focused, venture capital-backed enterprises. In some quarters, these individuals are considered to be the only "true" entrepreneurs. Research has shown that these so-called "high impact" entrepreneurs are leading job creators (Ernst & Young & Kauffman Foundation, 2013), which has made them the darlings of local economic developers. However, this thinking has led to a certain entrepreneurial exceptionalism that tends to, in effect, discourage and exclude some individuals who have great potential from participating.

What this perspective fails to recognize is that the appropriate focus of entrepreneurship is the entrepreneur, not the business. By placing emphasis on the business, we get distracted by issues of secondary importance, such as the industry in which the business operates, the life cycle stage of the business and its source of financing. I suspect that this confusion is caused, in part, by our society's obsession with growth and our tendency to conflate growth and development. We assume that the wise investment is in *businesses* that operate in "growth" industries, that are second stage or later, and that have the capacity to attract capital sufficient for scaling the enterprise. None of this takes into account the capability of the entrepreneur to successfully start, grow, and sustain the business. This is either assumed or largely ignored. However, the investment should be made in the entrepreneur, not the business (Lichtenstein & Lyons, 2010). Properly skilled individuals or teams drive thriving businesses. Entrepreneurs who are ultimately successful may start out operating a business that is in an industry or of a size that is not favored by economic developers; however, as they build their skills that can change. Today's bodega owner may become tomorrow's grocery chain mogul.

We in community development understand the difference between growth and development. We know growth emphasizes quantity, while development features quality. We strive to develop first, and then grow, so that we are expanding quality, not merely expanding. This is no less true for fostering entrepreneurship in our communities. If we begin by creating an environment for developing the skills of our entrepreneurs so that they can develop their businesses, we will get what we want – a diverse and growing community of high-quality entrepreneurs and enterprises that creates wealth for us all. I will revisit the concept of wealth creation later in this essay.

Focusing on developing entrepreneurs, regardless of their industry, accomplishes something else. It allows us to think beyond business to civic entrepreneurship (public officials and policy-makers thinking and acting entrepreneurially) and social entrepreneurship (entrepreneurs who operate nonprofit, for-profit, or hybrid organizations that are mission driven). Facilitating all three kinds of entrepreneurship is crucial to creating a fully entrepreneurial community (Lyons, 2004).

If we are genuinely committed to developing and growing entrepreneurs and enterprises (business, civic, and social) in our communities, we need to be strategic, systemic, and systematic in our approach. That is, we need to think about the whole, its parts, and the connections between those parts that yield synergy: a whole that is greater than the sum of its parts. Synergy is vital to community transformation – deep, lasting, positive change. A popular framing of these elements and their inter-relationships is as an "entrepreneurial ecosystem." While this characterization is not perfect, in a broad sense the metaphor is appropriate.

An entrepreneurial ecosystem that fosters community development by creating and innovating solutions to the community's problems through leveraging its assets must include government, the education subsystem, nonprofit social services, entrepreneurship support organizations (e.g. incubators, one-stop shops, microenterprise programs), private business support entities (e.g. banks, law offices, accounting services), religious and cultural institutions, and service clubs, among others. It must include forums for networking and social capital building among these players – in the parlance of entrepreneurship, "co-working spaces" – that permit their physical coming together in order to share challenges, solutions, and resources and to find common values, while building trust in the process. The ecosystem must also take full advantage of social media tools in this effort to foster interaction.

Such an entrepreneurial ecosystem must be accessible to anyone who is motivated to participate, not just a select few. It should not attempt to predict in advance who will be a successful entrepreneur or which ideas are workable, as so many of our current approaches try to do. I have lost count of how many times people whose success at entrepreneurship I would not have predicted have proven me wrong. My fieldwork has taught me that people who get help building their entrepreneurship skills develop self-efficacy, and that self-efficacy empowers them to think bigger about their enterprises and to manage the necessary risks required for success. It is not true that people are either entrepreneurs or they are not. There is a continuum of entrepreneurship skill along which individuals can move. The ecosystem must support all entrepreneurs and prospective entrepreneurs on this journey.

Over the years, I have met numerous people – counselors in entrepreneurship support organizations, entrepreneurship educators, and others – who sincerely believe that it is their duty to tell prospective entrepreneurs when their ideas are "bad" and should not be pursued. Some of these would-be gatekeepers of entrepreneurship maintain that to not disabuse prospective entrepreneurs of these "bad" ideas is irresponsible and amounts to coddling. I have learned that this approach is not only unfairly subjective, but it also has a chilling effect on creativity and innovation. Lean start-up thinking holds that an entrepreneur's initial idea is nothing more than a hypothesis about what customers need. Through a series of tests and resulting adjustments, the idea can be refined to become a better fit with what the customer truly needs (Blank, 2013). A well-functioning entrepreneurial ecosystem will support the community's entrepreneurs in the hypothesis testing necessary to move an idea from "bad" to viable.

In sum, communities can successfully leverage the power of entrepreneurship to help them address their economic, environmental, and social challenges. Specifying and maintaining a healthy ecosystem for fostering business, civic, and social entrepreneurship can best accomplish this. Such an ecosystem must be focused on the entrepreneur and her/his individual development, open to all entrepreneurs and prospective entrepreneurs, committed to supporting the development of new ideas and new ways of bringing these ideas to the "market" that needs them (including tolerance of failed hypotheses), and facilitative of the interactions necessary to idea generation, resource sharing, and risk pooling. In addition, the ecosystem must have a coordinator or facilitator that holds the mission, vision, and values of that ecosystem and guides their pursuit (Lyons & Wyckoff, 2014).

All of this addresses the "what" and the "how." I now want to bring this discussion back to the "why." If the ultimate goal of creating an entrepreneurial ecosystem is fostering economic equality, what is the direct connection between that goal and entrepreneurship? The answer is wealth creation. The purpose of entrepreneurship is to create wealth. For the business entrepreneur, this is financial wealth for the entrepreneur and her/his family. When the wealth-building efforts of all the community's business entrepreneurs are considered together, it becomes *community* financial wealth building. For social and civic entrepreneurs, it may be one, or more, of the eight types of wealth identified by the Ford Foundation: built, cultural, financial, individual, intellectual, natural, political, and social (Ratner & Markley, 2014). I would argue that all of these forms of wealth are interrelated, and they all contribute to the overall economic (considered broadly) wealth of individuals, families, and communities. By "economic," I refer here to the entire societal value chain of which we are all a part, as producers, distributors, consumers, and citizens on multiple levels – our community wealth-creating ecosystem.

The building blocks of wealth are assets. The beauty of assets is that they can be intergenerationally transferred. That is, they can be sustained over time. Business entrepreneurs build business assets that contribute to financial and individual wealth. Social entrepreneurs build assets that can provide cultural, natural, and social wealth, while civic entrepreneurs can generate assets that contribute to built, cultural, intellectual, and political wealth. The division of labor here is a bit artificial, but the point is that each of these collections of entrepreneurs has a role to play in building the economic wealth of the community. When this is done in an inclusive, integrative, and systemic manner, as in an ecosystem, wealth is not concentrated in pockets but is diffused. This can foster economic equality and ensure the stability necessary to permit further development.

This approach does not require the overthrow of the capitalist system or violent revolution. It is not facilitated by massive protests. These are but symptoms of societal instability. Instead, it makes use of markets in a responsible and sustainable way by fostering the efforts of entrepreneurial thinkers and actors, who are, and always have been, the agents of economic and social change in our society. In this way, entrepreneurship-driven community development truly matters.

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