Social entrepreneurs as change agents in regional development: The role of linking social capital

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Abstract
Linking social capital has been shown to explain the role of change agents in the development of disadvantaged rural regions. We argue that this perspective can offer valuable insights into the still under-researched interplay between social entrepreneurs and their institutional environment. To facilitate research taking such a perspective, we present an analytical framework, discuss its rooting in various theories and suggest a methodology. This paper informs researchers active at the intersection of social entrepreneurship and regional development and equips them for their future studies with a consistent theoretical and methodological approach.
1. Introduction
The continued marginalisation of (structurally weak) rural regions threatens the social and territorial cohesion in the European Union. Disadvantaged rural regions offer fewer opportunities for higher education and qualified jobs, and are economically less productive than urban or intermediate regions. They are faced with intense outmigration and a brain drain of young, well skilled residents. Not least, rural regions are particularly affected by the demographic change which puts a burden on the social security systems (EC 2013; Christmann 2014; Lang, Fink, & Kibler 2014).

Recent entrepreneurship literature has highlighted the innovative and problem solving capacity of social entrepreneurs as promising new actors for tackling the social and economic problems of structurally weak rural regions (e.g. Defourny and Nyssens 2010; McCarthy 2012). Thereby social enterprises are understood as hybrid organisations which aim to provide goods and services for the benefit of a particular community by mobilizing a variety of resources, ranging from donations and voluntary work to governmental subsidies, and from market operations. Furthermore, they are ideal typically characterised by their participatory nature and the involvement of various stakeholders in their governance (Defourny 2001; Defourny and Nyssens 2013).

Empirical studies show how the institutional context – both in its regulative and social meaning – can put considerable constraints on the ability of entrepreneurs to foster innovations in rural, structurally weak regions (e.g. Fink, Lang, & Harms 2013; Kibler, Kautonen, & Fink 2014). So despite an unfavourable external environment, how do social entrepreneurs create impact from their ventures and diffuse social innovations?

Against this problem background, the aim of the paper is to investigate the interrelation between social enterprises and their regional institutional context. Therefore, we introduce and discuss a conceptual framework which enables a systematic, theory-informed empirical analysis of innovative organisational practices and institutional elements on different spatial levels. This framework draws on a place-based institutional approach (Lang, Fink, & Kibler, 2014), and combines an organisational fields (Fligstein and McAdam 2011, 2012) with a social network perspective (Lang and Novy 2014).

The following chapters focus on each of the aforementioned theoretical perspectives and their potential for analysing regional social enterprises before we integrate them in our own theoretical framework and discuss the potential it offers to empirical research.

2. A place-based institutional approach to social entrepreneurship
Following a relational concept of space (Graham and Healey 1999), institutions work simultaneously at different levels in the spatial hierarchy. Although our study puts a focus on the regional level, national and even international institutional developments are thus relevant to and reflected in social entrepreneurship practices in regions.

The following types of institutions can either have an enabling or constraining effect on social entrepreneurship (Scott 1995, Lang, Fink, & Kibler 2014):
- *regulations*, e.g. relating to available legal forms, specific legislation, subsidies
- *cultural norms and values*, e.g. norms of cooperation or reciprocity
- *social identities*, e.g. entrepreneurial, organisational, territorial identities

Individual and collective actors can respond to institutional constraints and benefit from enabling institutional elements. The place-based approach further highlights that social enterprises mobilise normative and cognitive institutional elements embedded in a place for their responses (practices) to the mostly constraining regulative environments (Johnstone and Lionais 2004; Lang and Roessl 2011; Lang, Fink, & Kibler 2014). In this respect, “place” refers to a sociological understanding of location that highlights community, social networks and the cultural identities of individuals as well as collective actors (Harvey 1996; Hudson 2001).

In an empirical study, “place” can initially refer to a regional rural level where the case social enterprise is embedded. However, this abstract working definition needs to be specified and narrowed down early on in the project based on empirical data. This is done by identifying the levels of the regional hierarchy on which the investigated case is rooted and the reach these roots have on each level. The idea of strategic action fields can help to delineate this reach.

3. Social enterprises as a strategic action field

Institutional theories of fields can complement the place-based focus as they suggest that institutional elements are constantly reproduced, changed and shaped within discrete groups of actors in so called organisational fields (DiMaggio and Powell 1983; Scott 1995). Through organisational interaction, institutional influences (such as regulations) are filtered and shared meaning is constructed which leads to the idea of institutional logics. The field approach helps us to focus our analysis of relevant institutions and organisational responses by social enterprises.

On an abstract level, an organisational field refers to "sets of organizations that, in the aggregate, constitute a recognized area of institutional life; key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (DiMaggio and Powell 1983, p. 148).

For an empirical analysis, it is crucial to define the relevant organisational field in which the case social enterprises are embedded and look at its configuration, focusing on the roles (e.g. “incumbents” and “challengers”) and practices of key actors which influence the case organisations in their responses to the institutional environment (Fligstein and McAdam 2012).

Classical institutional theories of fields (DiMaggio and Powell 1983; Scott 1995) further point us to the crucial mechanisms of isomorphism, defined as a “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio and Powell 1983, p. 149). This helps to develop a better understanding of responses of social enterprises to developments in the institutional
environment which can be regarded as practices of imitation (e.g. of successful and dominant organisational behaviour in the same field or in adjacent fields).

A major shortcoming of orthodox new institutional theory in organisational studies is that they cannot explain the underlying structural elements and sources for dynamics in organisational fields, in terms of change and stability (Fligstein and McAdam 2012, p. 8). Recent strands within institutional analysis of organisations try to build on these classical elements to explain field emergence and field dynamics. Applying elements of the strategic action fields approach (Fligstein and McAdam 2012) appears to be especially relevant for an institutional analysis of social enterprises.

A strategic action field can be defined as “a constructed meso level social order in which actors (who can be individual or collective) are attuned to and interact with one another on the basis of shared understandings about the purposes of the field and the rules governing legitimate action in the field” (Fligstein and McAdam 2012, p. 9)

Given the aim for this paper, our application of the wide-ranging theoretical framework of strategic action fields has to be necessarily selective. For instance, social enterprises can be seen as an emergent strategic action field in itself, or they might be considered as “challengers” in already established strategic action fields (e.g. the non-profit or cooperative field) where they face “incumbents” and try to induce change.

Furthermore, the strategic action fields’ approach points us to the importance of “socially skilled action” in fields, i.e. the “cognitive capacity for reading people and environments, framing lines of action and mobilising people” (Fligstein and McAdam 2012, p. 17). “Socially skilled actors” are able to perceive and also to seize opportunities in constraining institutional environments.

Given the aim of this paper, such “social skill” can for instance be related to the ability of social entrepreneurs to understand a complicated multi-level policy environment and to take advantage of the support which government bodies offer for enterprise development (e.g. subsidies) and to convince them of their proposed projects. Likewise, “socially skilled action” also relates to building networks and strategic alliances of interest (even with field “incumbents”) by appeals to common interests (Fligstein and McAdam 2012, p. 18). In this respect socially skilled actors can “transcend their own narrow group interests” (Fligstein and McAdam 2012, p. 18).

4. Socially skilled entrepreneurs and linking capital

The insight that strategic networking can be a form of socially skilled action in organisational fields opens up another interesting analytical perspective to study the interrelation between social enterprises and their regional institutional context.

Besides accessing and mobilising horizontal bonding and bridging social capital, we would argue that when studying the role of social entrepreneurs as agents of change in rural economic and social development, the existence of a vertical, multi-level type of social capital
becomes crucial. However, in contrast to the development and planning literature, this so-called linking social capital has not yet received considerable attention in entrepreneurship research.

Building on its conceptualisation in the planning and development literature (Woolcock 2001; Middleton, Murie, & Groves 2005; Lang and Novy 2014; Agger and Jensen 2015), we theorise that social entrepreneurs represent intermediate actors in the spatial hierarchy who can establish a link between local communities and key resource holders in the multi-level institutional environment. This enables them to access and mobilise important resources for creating and diffusing social innovations by leveraging the effects of existing place-based, bridging and bonding capital in a place. In this respect, linking capital can refer to the provision of funding, infrastructure access, information, consultancy, technical support etc. Access to linking capital can thereby leverage the effects of social enterprise activities in regional economies leading to employment opportunities for local residents and giving them a voice in regional governance structures. Holders of critical resources can be found e.g. in local and regional authorities, regional development agencies, umbrella bodies, or social investor groups.

Although linking capital can be mobilised through inter-organisational relationships, personal interactions are highly relevant, as we consider linking capital - as well as bonding and bridging capital – to be rooted in social network relations (Lin 1999).

Intermediaries can be crucial when it comes to establishing links between social enterprises and external resource holders. This role can for instance be carried out by umbrella bodies in social enterprise fields. However, social enterprises themselves can act as intermediaries when they establish direct ties between local residents and external resource holders. They provide platforms for personal interactions between those two groups in committee meetings or annual general meetings. Moreover, as organisations, social enterprises mobilise external resources for the wider community and thus also act as intermediaries.

Figure 1 displays a multi-level model of linking capital and its relation to other forms of social capital in a regional setting.
Figure 1. Model of linking social capital in a regional context (adapted from Agger and Jensen 2015, p. 10)

Social enterprises are traditionally seen as organisations which build on strong ties and bonding social capital among their members. However, social enterprises also exhibit weaker ties to other organisations in their regions and thus form bridging capital. This leads to a continuum of regional social enterprises spanning from traditional member-focused to third-party-focused organisations with a respective mix of bonding and bridging capital as organisational resources (Hatak, Lang, & Roessl 2015). Additionally, intermediaries can support social enterprises to establish vertical links to stakeholders in the external environment, und thus create linking social capital (Lang and Novy 2014; Agger and Jensen 2015).

Returning to the strategic action field perspective, linking capital appears to be crucial to gain legitimacy for particular social enterprise models within an organisational field. It can also help social enterprises to establish a dominant field position. In this respect, fragmentations of certain social enterprise fields might be rooted in actor strategies to facilitate the creation of vertical linkages, leading to institutional legitimacy for the same core social enterprise model.

This can be exemplified by recent research on social enterprises in the English housing sector carried out by one of the authors (Lang 2015; Lang and Mullins 2015). In recent years, England has seen the emergence of a community-led housing field, comprising a diverse set of primary and umbrella organisations which seek to provide innovative and participative solutions to meeting housing need. Thus homes are developed, shaped and managed by the
residents or local people but with varied organisational and governance structures depending on local circumstances (Gooding 2013).

However, some of the sub-fields that may now be regarded as part of community-led housing – especially cooperative housing – have a long tradition in England (Birchall 1992; Rowlands 2009) and could already be considered as well-established organisational fields. Other groups of organisations, such as the community-land trust movement, seem to have only appeared more recently on the English housing scene, following active institutional promotion and international knowledge transfer (Moore and McKee 2012).

Although not always explicitly linked to the cooperative housing tradition and related to other social movements, the different community-led housing models clearly exhibit cooperative principles in their governance, such as community self-help, democratic member or resident control, and ownership (Lang and Mullins 2015). When the self-help housing movement started to bring back empty properties into use in the 1970s and 80s, it was still associated with the cooperative housing model and only later established its own brand as well as umbrella and intermediary organisation called “self-help-housing.org”. Similar national and regional umbrellas have been established in the English community land trust and cohousing movement since around the year 2000.

Fligstein and McAdam’s (2012) conception of contests between incumbents and challengers within unstable and emergent fields might be seen as an appropriate metaphor for community-led housing in England. This social enterprise field is also a good example how institutional constraints have led to fragmentations within a traditional organisational field, now characterised by different organisational responses of strategic field positioning and approaches of interacting with the external environment, such as government bodies and other “powerful” actors which can grant legitimacy and thus also much needed resources.

There was a relatively big wave of co-operative activity in the 1970s and 1980s in England when rental coops were promoted through public funding. However, since then co-operative housing got little public promotion and never developed into a mainstream form of housing delivery as in some other European countries, such as Austria or Denmark. Institutional constraints such as the promotion of norms of individual ownership and responsibility in housing, together with respective funding legislations by consecutive Conservative-led governments have contributed to this shift. With the urgent need for longer term affordability of home ownership (community land trusts) or local action on the empty homes problem (self-help housing), new cooperative forms of housing emerged on the scene as challengers in a traditional organisational field. The deliberate strategic positioning as organisational models that are independent from the cooperative housing tradition should help with state legitimization and public funding, such as in recent years during the Coalition government’s “localism agenda” and the establishment of a number of small funding pots (e.g. community right to build, empty homes community housing grant).
5. Integrated analytical framework for studying social entrepreneurship

Based on the previous sections, an integrated analytical framework is introduced in Table 1 which is supposed to be filled with empirical data in qualitative in-depth case studies. The framework builds on institutional theory for enhancing our understanding of the institutional embeddedness of social enterprises in disadvantaged rural environments (Berger and Luckmann 1967; González and Healey 2005; Scott 2010; Thornton and Flynn 2003; Welter 2011). Thus, the three columns on the left side of the framework in Table 1 represent three types of place-bounded institutions which can have constraining or enabling effects for regional social entrepreneurship (Lang, Fink, & Kibler 2014):

- **Regulative elements**: Formal rules in a place (e.g. property rights, subsidising laws)
- **Normative elements**: Range of embedded norms in a place (e.g. solidarity, reciprocity)
- **Cognitive elements**: Place-bounded categories and frames for interpretation (e.g. entrepreneurial identity)

Three columns on the right side of the framework refer to systematising social entrepreneurs’ responses to the above mentioned institutional elements (Oliver 1991; Scott 2010; Welter and Smallbone 2011). This builds on an integration of institutional theories of fields (DiMaggio and Powell 1983; Scott 1995; Fligstein and McAdam 2012) as well as network and social capital perspectives (Woolcock 1998; Lang and Novy 2014; Agger and Jensen 2015).

- **Mapping the field**: Identification of the relevant organisational field for the case organisation/s, key actors, intermediaries and external environment
- **Networking practices**: Focuses on networking as a particular *socially skilled action* and response to institutional constraints and as an attempt to benefit from opportunities that arise in the external environment
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<th>Location-sensitive Institutions</th>
<th>Organisational Responses</th>
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<tr>
<td>Regulative Elements</td>
<td>Normative Elements</td>
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<td>What regulations restrict/enable our social entrepreneurial behaviour in the region?</td>
<td>What is expected of our social enterprise in the region? What actions make sense to our organisation in this context?</td>
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Table 1. Integrated analytical framework
6. Methodological considerations

The framework suggested here is most suitable for empirical research that follows the paradigm of qualitative empirical research. A methodological approach that perfectly fits the investigation into the role of linking capital for social entrepreneurs unfolding their potential as change agents in disadvantaged rural regions. Social enterprises in rural contexts is a relatively new and still under-researched phenomenon and thus exploratory methods are needed to break new ground. Especially a qualitative case study approach appears suitable to reconstruct the historical trajectory and meaning of this phenomenon in a concrete institutional and territorial context (Sayer 1992; Yin 2009).

To tap the full potential of case based research and to ensure that the findings and insights can be consistently linked to the common body of knowledge, a purposeful selection of cases is crucial. We, thus, recommend to use well established taxonomies for selecting the cases within the social enterprise field. In the case selection, researchers cannot only draw on the specific features of accessible cases, but should also draw on quantitative context data on the respective sectors and organisational fields, as well as on the regional social and economic context (Agger and Jensen 2014; Lang, Fink, & Kibler 2014).

Methods for data collection and sources of data that methodologically fit the proposed framework are (1) narrative interviews with founders and/or executives of the case social enterprises will help to reconstruct the key phenomena and their interdependencies (Schuetze 1977; Lieblich, Tuval-Mashiach, & Zilber 1998). Here, researchers will gather most information to fill the framework. (2) Semi-structured interviews with key representatives of the local community should be employed to gather additional information on the institutional context. (3) Expert interviews will provide contextual information on the respective organisational field. (4) To triangulate types of data and overcome limitations of face-to-face interviews as a method of data collection it is important to also engage in field observations of enterprises and the respective local communities whenever possible. This extra effort will increase the contextual and content related plausibility of our data. (5) In order to avoid being trapped in the case and overcome the myopia of contextualisation, in research that relies on the proposed framework in this paper, the primary data needs to be complemented by secondary data. Especially, archival analysis seems to be instrumental.

In view of the mixed data emerging from the proposed research activities and the richness this data implies, interpretative methods of data analysis seem to be first choice. Qualitative content analysis of the material gathered will enable researchers to identify the concrete configuration of the analytical elements comprised in the proposed framework (Strauss and Corbin 2007). Depending on the specific focus of the research, both single and cross-case analysis offer appear to be attractive (Eisenhardt 1989). In single case studies, researchers can dig especially deep into the concrete meaning of specific practices. Through comparing institutional factors and corresponding organisational practices in the different case studies, generalities and differences can be identified, and individual elements can be contextually verified.
In later phases in the development of this stream of research, the new ground broken through exploratory research activities should be secured by testing the insights in confirmatory studies. However, researchers have to ensure appropriate contextualisation also when employing quantitative methods. Interdependencies uncovered in the qualitative studies can be modelled as moderators or mediators.

7. Conclusions and discussion

In this paper, we present a framework for systematic investigation into the still under-researched role of linking social capital for social entrepreneurs acting as change agents in disadvantaged rural regions. We discuss the rooting of this framework in the dominant streams of theorising. The results presented suggest that an integration of selected elements of place-based institutional theory, strategic action fields theory and social capital theory as useful for structured and theory-informed analysis of the interrelation between social enterprises and their institutional context. It provides a critical reflection and refinement of previous social capital approaches in the entrepreneurship literature (e.g. McKeever, Anderson, & Jack 2014) focusing on the institutional and territorial embeddedness of entrepreneurs. It adds to existing literature in the field, by mobilizing value-adding insights from other disciplines in order to conceptualise linking social capital as a multi-level analytical framework which helps analysing the capacity of entrepreneurs to leverage existing social and economic resources for advancing social innovations in rural regions.

Research on social enterprises is an especially promising arena in which to apply the analytical framework suggested, as it integrates the core elements of classical institutional theories of fields (DiMaggio and Powell 1983; Scott 1995) as well as the more recent theoretical approach of strategic action fields (Fligstein and McAdam 2011, 2012). It further brings together this new integrative perspective on dynamics in the institutional context with a place-based understanding. We argue that the resulting framework is a feasible approach to developing a comprehensive body of knowledge in this challenging area of research. We hope that the suggested framework is well received and that it is further developed in many future studies.

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