ABSTRACT

Social entrepreneurship is an alternative to traditional business but there is evidence of ecosystems in which this is not (yet) having reached its full potential. An example is Bolivia. The aim of this research is to answer, “What are the challenges of a supportive entrepreneurial ecosystem for social entrepreneurship in developing countries?”. The purpose is to identify the success factors of an ecosystem, which in turn predetermine the impact, efficiency, and opportunities of well-developed social entrepreneurs in emerging economies. A qualitative approach was used. The findings show that there are missing stakeholders in San Jose that are replaced by local alternatives, the stakeholders are just starting to coordinate their work and the government is leading the process because of the lack of entrepreneurial leaders.

Although each entrepreneurial ecosystem is unique, the problems found here might be repeated in ecosystems with similar conditions.

Keywords: Entrepreneurship – Social entrepreneurs – Ecosystem – Bolivia – Developing countries

INTRODUCTION

While some markets are growing, others are static, increasing the gap between rich and poor people. Social entrepreneurship and entrepreneurial ecosystems that support them are an alternative to reduce this gap. These have the ability to transform communities by bringing relevant changes to marginalized and poor groups of people (Letaifa, 2016). Building vibrant entrepreneurial ecosystems is a challenge because there is not a perfect standard to build them (Auerswald, 2015). Every town has its own specific characteristics, and for that every ecosystem is unique (Isenberg, 2014). Different authors propose steps or key factors that should exist to develop an entrepreneurial ecosystem, but as every town is different, is required to adjust these ones to every local context. This process is not always easy.

The necessity of a vibrant entrepreneurial ecosystem is bigger in emerging economies where people have unsatisfied basic needs. However, most research and models of development of ecosystems are done in developed economies where conditions are completely different. It is not only about access to resources as water, electricity, but also that emerging economies usually have weak legal institutions and market fragmentation (Goyal, Sergi, & Jaiswal, 2016). The knowledge gap that we want to fill with this work is the challenges that emerging economies have to build entrepreneurial ecosystems, considering that they usually do not have conditions that are considered normal in developed countries.

The principal aim of this research is to answer, “What are the challenges of a supportive entrepreneurial ecosystem for social entrepreneurship in developing countries?” By means of case analysis, we will identify the success factors of an ecosystem, which in turn predetermine the impact, efficiency, and opportunities of well-developed social entrepreneurs in emerging economies.

The remainder of this article is organized in 5 sections. First, we present an overview of the literature in social entrepreneurship and eco-
1. LITERATURE REVIEW

Social entrepreneurship has become, in the latest decades, an alternative way to solve social problems (Dees, 2007). This seems even more relevant in emerging economies, where it has a fundamental role correcting market failures through the development of social enterprises (Prahalad 2005; Short, Moss, and Lumpkin 2009; Zahra et al., 2008).

There are three characteristics that identify a social enterprise: mission, market niche and value proposition, as presented in table 1.

Table 1. Characteristics of Social Enterprises

<table>
<thead>
<tr>
<th>Social Enterprises</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Niche</td>
<td>Society has needs that do not give the level of profit that the commercial entrepreneur looks for.</td>
</tr>
<tr>
<td>Value proposition</td>
<td>Innovative solutions for a market underserved that lack the means to achieve transformation on its own</td>
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</table>

Lumpkin et al. (2013) explain that a social enterprise should have a social mission that emanates from aspirations that will benefit the complete community instead of only make the owners richer. Their market niche is different because it satisfies needs that usually do not give the level of profits that commercial enterprises are looking for (Austin et al., 2006), and their value proposition targets a market underserved that lacks the means to achieve transformation on its own (Martin & Osberg, 2007).

Social enterprises require a vibrant entrepreneurial ecosystem in which the stakeholders have social goals to increase their success rate (Audretsch & Belitski, 2017; Carayannis, Provance, & Grigoroudis, 2016; Letaifa, 2016). A vibrant entrepreneurial ecosystem is the one in which many different stakeholders work together and they all get benefited making it a self-sustained ecosystem (Isenberg, 2014) which later is translated in economic development for the community. According to literature, there are some characteristics that entrepreneurial ecosystems must have to be successful. In table 2, we present a summary of the ones considered more relevant for the different authors.

Table 2. Key characteristics of entrepreneurial ecosystems

<table>
<thead>
<tr>
<th>Characteristics entrepreneurial ecosystems</th>
<th>Author</th>
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</thead>
<tbody>
<tr>
<td>Presence of all the stakeholders</td>
<td>(Audretsch &amp; Belitski, 2017; Bigger, Testi, &amp; Bellucci, 2017; Cohen, 2006; Daniel Isenberg, 2011; Kantis &amp; Federico, 2012; Lichtenstein, Lyons, &amp; Kutzhanova, 2004; Mack &amp; Mayer, 2016; Malecki, 2018; Mason, Colin; Brown, 2014; Roundy, 2017; Spigel, 2017)</td>
</tr>
<tr>
<td>(i) Funding</td>
<td></td>
</tr>
<tr>
<td>(ii) Role models</td>
<td></td>
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<tr>
<td>(iii) Culture</td>
<td></td>
</tr>
<tr>
<td>Interconnection</td>
<td>(Cohen, 2006; Feld, 2012; Daniel Isenberg, 2011; Stam, 2014)</td>
</tr>
<tr>
<td>Be led by entrepreneurs</td>
<td>(Feld, 2012; Malecki, 2018; Yunus, 2007)</td>
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</table>

Note: Own elaboration based on the reviewed papers.
Researchers present many different stakeholders that should be present in any entrepreneurial ecosystem. (i) Diverse funding, (ii) role models and (iii) entrepreneurial culture are especially remark when talking about social enterprises. (i) As social enterprises could be for-profit, not-for-profit or hybrid, they required a wider range of options to get funding for their different requirements (Lumpkin et al., 2013). If a region does not have it, this could be “imported”, but this requires connections on an international level (Mason, Colin; Brown, 2014). (ii) Role models are entrepreneurs that are already successful in the community (Malecki, 2018). They should talk about entrepreneurship as a priority to create more entrepreneurship (Isenberg, 2011) and new entrepreneurs will start their activities by following them (Motoyama, Konczal, Bell-Masterson, & Morelix, 2014). You only need some entrepreneurial success to have a spillover effect in the entrepreneurial ecosystem (Mason, Colin; Brown, 2014). (iii) The entrepreneurial culture is linked with the role models and their success stories, but also with the fact that failure will happen, and it is important to have a mindset in which people accept it (Isenberg, 2011). People on an entrepreneurial ecosystem should embrace their own city, believe they can start their business there and accept entrepreneurship as a viable option of living (Audretsch & Belitski, 2017; Lichtenstein et al., 2004).

A vibrant social entrepreneurial ecosystem involves interconnection between market, government and civil society (Praptono & Sutanti, 2016). The stakeholders should share common social goals and be social embedded to create social value (Letafia, 2016). The development of a network between the stakeholders of an entrepreneurial ecosystem affects the economic outcomes because it allows a proper flow and quality of information and this builds a trusting environment in which people believe that the others will do the right thing for the development of all (Granovetter, 2005). The interconnection between stakeholders should be encouraged through engagement events that connect the different stakeholders (Stam, 2014).

Building up an entrepreneurial ecosystem should have entrepreneurs leading this process (Feld, 2012; Malecki, 2018). Government and NGOs should create a proper environment, but entrepreneurs are the core of the ecosystem (Alvedalen & Boschma, 2017), the ones who make decisions of investing, innovating and starting businesses and know what kind of support they need from their environment.

2. METHODOLOGY

The purpose of this research is to identify the success factors of an ecosystem, which in turn predetermine the impact, efficiency, and opportunities of well-developed social entrepreneurs in emerging economies. As mentioned above, this study is guided by the following research question is: “What are the challenges of a supportive entrepreneurial ecosystem for social entrepreneurship in developing countries?”.

A qualitative method was selected because it allows us to understand how the components of the entrepreneurial ecosystem interact in situations in which standardized metrics are non-exist (Spigel, 2017). Bolivia is a country with a lot of regional differences, languages and cultural backgrounds (Roman, 2018). Although most researches focus on countries, the case selected for this research is a small town named San Jose de Chiquitos, located in Santa Cruz de la Sierra-Bolivia. Following Isenberg (2011), we analyzed a small region to get better results. The present case study will use three methods – documentation, interviews, focus group discussions – as presented in Table 3.

Table 3. Research methods used

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>- Agendas of entrepreneurial events</td>
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<tr>
<td></td>
<td>- Governmental reports</td>
</tr>
<tr>
<td></td>
<td>- Register of all entities listed in San Jose de Chiquitos</td>
</tr>
<tr>
<td></td>
<td>- Promotion material of relevant stakeholders of San Jose de Chiquitos</td>
</tr>
<tr>
<td>Interviews</td>
<td>- 13 in-depth semi-structured interviews with stakeholders that play different roles in the entrepreneurial ecosystem of San Jose de Chiquitos</td>
</tr>
<tr>
<td>Focus group discussions</td>
<td>2 focus groups discussions</td>
</tr>
<tr>
<td></td>
<td>- With a group of entrepreneurial women that belong to a handicraft association</td>
</tr>
<tr>
<td></td>
<td>- With entrepreneurs of the “Trabajo Empresa” foundation</td>
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</tbody>
</table>
Entrepreneurs see each other as their biggest competitors and do not work together to achieve bigger goals.

The goals are: Identify the stakeholders that are present in the entrepreneurial ecosystem of San Jose de Chiquitos, how is the interrelation between stakeholders and if there are role models in the community that could become leaders. For this, we interviewed entrepreneurs, banks, people from the local government and NGO’s. All the interviews were realized in December 2017. These interviews were recorded and transcript for analysis – with the exception of two, which are not recorded and only notes were taken. The interviews transcriptions are 113 pages. The focus group discussions were also in December 2017. The transcripts of both focus groups are of 41 pages. For this paper, all the quotations from Spanish interviews had been translated into English.

The transcripts of the interviews were analyzed by a thematic analysis approach (Braun & Clarke, 2013). The themes were identified using the three key characteristics found in the literature review. The documentation, interviews, and focus group were analyzed and compared with the literature review to analyze the characteristics that a successful social entrepreneurial ecosystem should have and their presence or not in San Jose.

3. BOLIVIA

The case of San Jose de Chiquitos, a town located in Santa Cruz de la Sierra, Bolivia was used for this research. Since the year 2004, Bolivia has economic growth of around 5% per year. Conversely, the labor market did not change substantially, because even the economically inactive population (EIP) increased from 28% to 29% in the period between 2006 and 2014. Bolivia is the country 179 of 190 in ease of starting a business rank and 152 in the ease of doing business rank (World Bank Group, 2017). These indicators may be the reason why most of the entrepreneurs are informal (Roman, 2018). On the positive side, Bolivia has the seventh-highest total entrepreneurial activity (TEA) (GEM, 2016). Nevertheless, as in the rest of Latin America, most of the new businesses are micro-enterprises with no growing expectations and with little impact (Kantis & Federico, 2012). All this data gave us an overview of the entrepreneurial situation at a country level.

San Jose is a town with 18,000 inhabitants located at 265 km of Santa Cruz City, one of the biggest cities in Bolivia. In this town, proper basic services as water, gas, and electricity, had reached only in the last 10 years. They have a strategic location because: (1) The most important road that connects Bolivia with Brazil goes through this town, giving them opportunities of easy transportation and (2) San Jose is part of a group of towns known as “Las Misiones Jesuiticas”. All these towns are touristic locations, and San Jose – besides being touristic itself – is also in the road to visit the rest of the touristic towns.

4. RESULTS

Based on the literature, the most relevant characteristics for a successful social entrepreneurial ecosystem have been identified in table 2, these characteristics are: (i) Presence of all the stakeholders, (ii) Interconnection between stakeholders and (iii) Be led by entrepreneurs. Table 4 shows a summary of the results reached with this study.

<table>
<thead>
<tr>
<th>Characteristics entrepreneurial ecosystems</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of all the stakeholders</td>
<td>(i) Only banks, so entrepreneurs need to look for alternatives to get funding (ii) There are no strong role models that can be used as an example or inspiration (iii) In the latest years, the mindset of the population is changing</td>
</tr>
<tr>
<td>(i) Funding</td>
<td></td>
</tr>
<tr>
<td>(ii) Role models</td>
<td></td>
</tr>
<tr>
<td>(iii) Culture</td>
<td></td>
</tr>
<tr>
<td>Interconnection between stakeholders</td>
<td>Some stakeholders are starting, however, they see each other as competitors</td>
</tr>
<tr>
<td>Be led by entrepreneurs</td>
<td>There are not entrepreneurs taking the lead, so is the local government the ones that are taking this role for the moment</td>
</tr>
</tbody>
</table>

Table 4. Summary of results
4.1. Presence of all stakeholders

(i) Funding: The most usual alternative at San Jose will be getting a loan from the banks. They provide different kinds of credits for production projects. The requirements vary from personal guarantor to mortgage, based on the amount of the loan.

I6: “We have the loans from the Productive Development Bank (BDP) which are only at 6% per year. These ones are only for the productive sector (...). You can access to a BDP if it is the first time, next time you have to apply for a productive loan that is 11.5% per year.”

Banks consider that the loans that they offer are very accessible (I4), however, the entrepreneurs feel that the requirements are very complicated and almost impossible to get (FG1) because they usually do not own a property for the mortgage nor have a personal guarantor with fix salary. If an entrepreneur can fulfill all the requirements, one of the highest costs that their enterprise will have is interests (I5). Nevertheless, as there is a lack of investors (I2) or other funding alternatives, entrepreneurs need to develop their own alternatives to get funding for their ventures. The association of handicrafts has found a solution for them as an alternative founding:

FG1: “We do not have any loan. When we started, the local government gave us 12,000 bolivianos (Bolivian coin) as seed capital. At that moment we were 24 members, so we divided it and gave 600 bolivianos for each one, after three months we returned the money and lend it again (...). We sell food, we pay a monthly installment and now we have 24,000 bolivianos that are allocated between all the members”

Although this is a good alternative and worked for this association, it is a very specific case in which they had access to seed capital. Besides this, people in Bolivia use a system called “Pasanaku”, in which they borrow money between participants with no interests. Yet, these alternatives are not enough. I6 mentioned, “Most of the time, what is a need for the entrepreneurs is funding and mentorship”. Funding as a relevant and recurrent need. It was mention by ten out of the thirteen interviewed persons and in both of the focus groups.

(ii) Role models: When asking for relevant entrepreneurs of the community, only five of the thirteen participants of the interviews were able to give a name. Besides this, each one of them mentions different names. There is not a relevant entrepreneur that is recognized by the community as a leader. The absence of role models may be linked with a low entrepreneurial culture (Stam, 2014). The role models should be the ones that stimulate entrepreneurial awareness.

(iii) Culture: Most of the persons that were interviewed believe that exists an entrepreneurial culture in San Jose.

I3: “In the latest years, San Jose had started a desire to improve”

I9: “People are just awakening in the topic of entrepreneurship. Before they used to be really passive, there was no market. People had not the courage to invest in any venture, they just produced as it was an obligation and wanted to force people to buy it, but now there are more competitive. They have ambition now, a new objective of giving a better service, more quality, better conditions, everything”

In the same manner, in the FG1, it was expressed that the entrepreneurial culture is on an initial stage. The social entrepreneurial spirit is a motor that connects economic with social development (Querejazu, Zavaleta, & Mendizabal, 2014), so it is expected that the awakening of the people in San Jose will continue and be the motor that transforms the community. With all the improvements of the last years, the sense of belonging had increased, making people proud of being from San Jose, though, there is still a lot of work to be done in changing mindsets.

4.2. Interconnection between stakeholders

Social enterprises have the challenge to balance economic sustainability and social impact. They need to be innovative
by creating new relations with different organizations (Biggeri et al., 2017) something that is lacking in San Jose. Critical links between stakeholders are missing. For example, when asking entrepreneurs about the options of loans they have, they do not have the information, even when the bank is close to their venture.

I2: “The relationship between the entrepreneur, the communication media and the local government is focused on showing what the entrepreneurs do. This is a good relationship because the entrepreneurs do not pay for this service as it is a support that the government has for them”

Nevertheless, usually, entrepreneurs consider that these efforts are not enough.

FG1: “We would like to have more mentorships, more workshops and more support from the government. There is a budget for culture, but they do not give us anything (...) We would like to have a bigger space to show our products, the government has to provide this.”

Additionally, when the organizations were asked about the process than an entrepreneur has to follow in order to initiate their venture, they reply with the steps to follow within their own organization but do not know the complete process, showing that they are working independently and there is no coordination between the stakeholders. Another issue is that the supporting organizations of the ecosystem do not really know what the entrepreneurs need, and even if they try to get information to plan the strategies, the entrepreneurs will put obstacles.

I3: “The tourism section has a register where you can find approximate how many tourists visited San Jose but is very difficult for us to get this information. The hotels are very jealous to give you this information because they think we are going to filter the information on how many tourists arrived and how much was their utility”

This does not happen only with support organizations. Also, entrepreneurs see each other as their biggest competitors and do not work together to achieve bigger goals. In the FG1 was mentioned that each one of the artisans oversees their own material, even if it is urgent. They will not share their material with another artisan. There is a spirit of competence instead of cooperation, in which the association is only used as an alternative to get funding.

The constant work of the local government in the latest years have made that institutions set their eyes in San Jose and go to this region to help in the development of their entrepreneurial ecosystem. Entrepreneurs are returning, conditions are set by the government and institutions as universities are getting involved with this process. But more stakeholders are still needed.

To really make a change and improve the ecosystem, all the elements need to be considered and work together. Figueroa (2015) and Roman (2018) express that the interconnection between the stakeholders of the entrepreneurship ecosystem in Bolivia is very low, and this study in San Jose de Chiquitos corroborate their results. According to Figueroa (2015), the reason for the lack of interconnection between stakeholders involves a cultural aspect, in which the stakeholders work independently to show their power on a specific geographical space (Figueroa, 2015) instead of working together and reach bigger goals.

4.3. Be led by entrepreneurs

Most entrepreneurs in San Jose are informal and their ventures not constant. According to Berner, Gomez, and Knorringa (2012), this kind of entrepreneurs will let their venture for a stable job, even if it gives them a similar low income. This happens in San Jose, the entrepreneurs that should lead to the growth of the entrepreneurial ecosystem do not have a long-term commitment.

The association of handicrafts are potential leaders of the community, but they will not take the lead. They feel that it is the responsibility of the government with only a small participation of them (FG1). Because of the lack of entrepreneurs leading this process, the local government is promoting entrepreneurship as an alternative for development. If the local government helps social entrepreneurs to identify social problems and work together in the best way to address them (Lumpkin et al., 2013), this could be the initial push that the entrepreneurial ecosystem needs to develop.

I2: “The ventures that the population has are thanks to the government. It is the government the one that is opening the doors for the production to be seen. The politic topic is important because it promotes tourism and shows the production outside San Jose. They also bring people to do workshops. The private sector is now investing because of all the previous work of the government”

One of the actions in which the government has been working is in linking the private sector with the public sector (I9). When developing projects, they try to incentive the joint work to reach more people and as a result, the private sector started
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with investments recently, thanks to all the work that the government has been doing to promote the region (I2, I3). Even that entrepreneurs should lead this process, there is an open debate about the involvement of other stakeholders to regulate the process (Cavallo, Ghezzi, & Balocco, 2018). In the case of San Jose, the absence of entrepreneurs that take leadership has forced the government to step in. Auerswald (2015) proposes strategies that local governments could take to build an entrepreneurial ecosystem. Some of this could be applied in the case of San Jose as (i) policies that favor incumbents and represent a barrier for entrepreneurs that come from the big cities, (ii) engage in person with local entrepreneurs to know exactly what they need, (iii) map the ecosystem to use this as a tool for developing strategies and (iv) try strategies and iterate them fast to do corrections in early-stage and then build at scale.

5. CONCLUSIONS

The purpose of this research was to identify the success factors of an ecosystem, which in turn predetermine the impact, efficiency, and opportunities of well-developed social entrepreneurs in emerging economies. There are 3 main conclusions: (1) The absence of relevant stakeholders represents a challenge for ecosystems in developing countries. This is a limiting factor to make entrepreneurial ecosystems grow. The existent stakeholders need to develop local alternatives to substitute the missing stakeholders. (2) The interconnection between the stakeholders is essential for the efficiency of the entrepreneurial ecosystem (Isenberg, 2011), and there is a lack of this in San Jose. The stakeholders are just starting to see the opportunities of working together. This small attempt of joint work is having a positive impact in the community, so more and more stakeholders approach to get involved. This process has to continue because as the access to funding is difficult, networks are even more important for the development of new enterprises (Kantis & Federico, 2012). (3) It is expected that the process of building an entrepreneurial ecosystem will be led by entrepreneurs (Feld, 2012), but in the case of San Jose, there are no entrepreneurs that are taking this task. In order to overcome this challenge, the local government has taken the role of leading the process providing the necessities that any company will need and with actions that support entrepreneurs (I3). Now that the local government has taken the lead, the course of action should be focus on the development of entrepreneurs (Lichtenstein et al., 2004) and programs to change mindsets of the population.

Regarding the constraints of this study. A larger analysis that includes more of the organizations that are stakeholders of San Jose would have been preferable. Likewise, as the concept of social entrepreneurship is very broad, and not very known in Bolivia, there is the risk of subjectivity in the answers. Finally, the generalization of these results should have a lot of precaution, because, as mention before, every entrepreneurial ecosystem is different and have their own characteristics.

It is hoped that this research inspires people to analyze how the development of social entrepreneurial ecosystems work in areas where the population has only the basic to live. This is relevant because these communities are the ones that need more economic development and an alternative to solve their social problems. A first step could be the study of other towns in Bolivia to analyze if the results found here repeat in other locations of the same country that live in a poverty situation.

Future research should explore the means to transform an entrepreneurial ecosystem that is not at his fullest potential into one that is efficient and helps the economic development of their context. These future researches should be divided by the challenging key aspects found here, that differentiate from the ecosystems in developed countries as the way the government could lead the process when there are not entrepreneurs working in this. There should also be research about the interconnection of the stakeholders. How this should start if this leads to the interdependency of the stakeholders and the way it affects the weakness or absence of stakeholders to the whole ecosystem.

ACKNOWLEDGEMENTS

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