

## COMMUNITY AND INNOVATION: EVIDENCE OF SOCIAL ENTREPRENEURSHIP IN SNAKE VALLEY, AUSTRALIA?

*Russell Kenley: Australian Graduate School Of Entrepreneurship, Hawthorn, Australia*

*Nicola Brackertz: Australian Graduate School Of Entrepreneurship, Hawthorn, Australia*

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**Contact:** Russell Kenley, Australian Graduate School of Entrepreneurship, Swinburne University of Technology, Wakefield Street, 3122 Hawthorn, Australia, Email: rkenley@swin.edu.au

### ABSTRACT

This exploratory study was undertaken to ascertain whether or not Snake Valley could be a field-site for research into entrepreneurial activity in rural Victoria, Australia. A document analysis methodology, focusing on the community newspaper the Snake Valley News, provided evidence of a defined community linked to innovative economic activity. We assumed that limited financial resources can be off-set by local social capital (skills, time and knowledge) given freely for societal benefit. Some social entrepreneurial activity was therefore assumed. However, the findings are only indicative and testing of for actual social entrepreneurial activity will require definitive evidence of innovation resulting in wealth creation.

### Background

This research arose from a research collaboration between Rural Councils Victoria, the Municipal Association of Victoria (MAV) and the Australian Graduate School of Entrepreneurship (AGSE) and undertaken for the Small Towns Project Victoria (STPV) – which is an initiative of Regional Development Victoria. The STPV Steering Committee, which is made up of representatives from Rural Councils Victoria, the MAV and Rural Development Victoria, desired to investigate the key drivers and enablers for rural economic development. The broad research project aims to extend and deepen knowledge of how entrepreneurial processes happen in small rural towns and to remove barriers to social and economic entrepreneurship. This project focuses on a previously ignored area of entrepreneurship research, namely the significance of pre-venture activities and role of networks in the venture creation process in rural towns.

The STPV has identified a need for fundamental research into the underlying assumptions about community and the role of actors in initiating and developing new ventures. The fear is that, without this research, Councils will continue to invest heavily in economic development activities without understanding the causes of failure of those initiatives or what to do to rectify the failure.

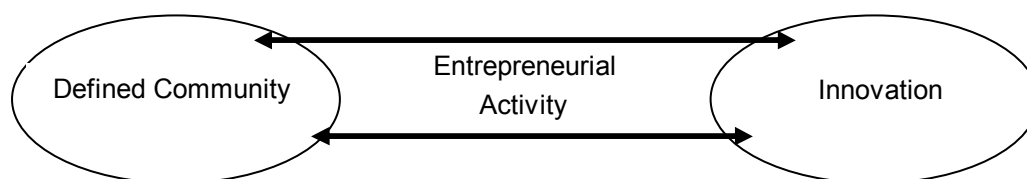
The overall research addresses an important problem in the socio-economic sustainability and vibrancy of Victoria's rural towns. There is increasing community concern about the current emphasis on the devolution of economic and social responsibility to individuals and communities at the local level. Changes in the socio-economic environment have significant impact on regional communities and in particular small towns, which are increasingly losing the services and business activity needed to remain sustainable. Others are struggling with an influx of new residents to the local area and the accompanying changes and need for expanded social and economic services. This has become a major focus for government at both the Federal and State levels, as well as impacting in a fundamental way on local government. Indeed, it can be argued that concern about the future of small regional communities has become a significant political issue at all levels of government. Finding ways to help small towns to help themselves socially and economically has emerged as a major issue of concern to all of Australia.

A series of investigative projects and activities were conducted in 2007 with the intention of developing the framework for a much larger project to commence in 2008. This paper presents one of those investigative projects. The Snake Valley project arose from the need to build a better understanding of the nature of entrepreneurial activity in small Victorian towns, and in particular the complex interplay between entrepreneurial activity, entrepreneurs and the society within which they operate.

### **Introduction to the Snake Valley project**

The purpose of the study was to provide evidence that Snake Valley would be an acceptable field-site for research into entrepreneurial activity in rural Victoria, and to test an adaptation of the Hindle (2007) generic model of community wealth creation. This model explains how discrete communities survive and prosper through economic innovation. His model is based on identifying the complexity of multiple levels of multifaceted belief systems and social structures. The function of these beliefs and structures has special significance because they provide the foundations of the unique features of each defined community, and thus unique wealth creation through innovation (Hindle, 2007).

The task in this exploratory phase study was limited to two simplified aspects of the Hindle model in an attempt to answer three questions. Were there observable internal and external definitions that defined Snake Valley as a unique community? Were there ways of identifying innovation/wealth creation? And finally was it possible to find evidence for entrepreneurial activity that linked the defined community and economic innovation?



Adapted from Hindle (2007)

To find answers to these questions we used a simple document analysis methodology (Peräkylä, 2005). According to Altheide (1996) document analysis refers to “an integrated and conceptually informed method, procedure, and technique for locating, identifying, retrieving, analyzing documents for their relevance, significance, and meaning.” This method provided us with data to analyse for evidence of community definition as well as economic innovation, but did not require a trip into the field thus husbanding scarce resources.

The documents we used were all publicly available including the Australian Bureau of Statistics (ABS) 2006 census data, the Pyrenees Shire Annual Report for 2006, the Snake Valley Community Action Plan, and items from the Ballarat Courier. However, most of our data was found in the local

newspaper because the use of newspapers as primary sources of data is well established in academic research (Wimmer & Dominick, 2006). The local newspaper, the Snake Valley News is published 11 times a year and is distributed free of charge. We used May 2007 through December 2007 issues.

The results of that document analysis are presented in the balance of this paper. We are not expecting to create models or to add to theory, but to use extant theory to gauge whether or not there might be sufficient entrepreneurial activity in Snake Valley to use it as a field site for a larger research project. We begin with a discussion of social entrepreneurship. This is followed by sections relating to the Hindle model; defining community and describing innovation for wealth creation. We conclude with some speculation on the links between community and innovation that might be considered entrepreneurial activity.

### **The Social in Entrepreneurship**

Tan, et al. (2005) claim that all entrepreneurial activity involves society, and thus could be considered social. However, they realise that many scholars would question this over-simplified view and thus provide a logical argument for a more specific definition of social entrepreneurship. They first argue that the general characteristics of entrepreneurship involve innovation and risking taking with the purpose of some gain. These common elements also define social entrepreneurship, but altruism is the added element that sets apart social entrepreneurs. However, the degree of profit and loss for both society and the self may vary, thus making it difficult to suggest a comprehensive definition of social entrepreneurship.

This difficulty of definition is also addressed by Austin, et al. (2006). They claim that social and commercial entrepreneurship forms a continuum. Thus, the issues of *opportunity, resources and purpose* become the topics for comparison with degrees of similarity as well as difference along the continuum. For example, social entrepreneurship can be innovative in filling a market need that may be perceived as uneconomic for a commercial enterprise. It is claimed that social entrepreneurs capture these opportunities because they have a well defined social purpose that is related to a public rather than a private good.

Scholars (Austin, et al., 2006; Mair, et al., 2006; Westlund & Bolton, 2003) agree that access to financial resources is the most obvious difference between commercial and social entrepreneurship. One distinguishing feature of social entrepreneurship is the reliance on social networks in place of economic resources. Most scholars attribute Coleman (1988) with the suggestion that social capital is a resource that can be equated to financial capital. He claims that social capital is comprised of the links that bind people, especially those connected to an internally defined community. Researchers have found evidence of this contention. For example, Haugh (2007) notes that entrepreneurial activity is a process that can found in defined communities because of close relationships. She outlines the process of informal to formal social links in relation to the creation of a new venture. The resources required to take advantage of a perceived opportunity can be personal links and bonds and may be in the form of skills and time rather than access to financial resources. Thompson (2002) adds to the list of possible forms of social capital that are “valuable to communities” such as buildings and intangibles that make people feel good about a place.

This feature of social entrepreneurship might also be described as an exemplary example of one of the core traits of entrepreneurs; making do with the resources at hand Dees (1998). However, it is a commitment to “the social” that sets apart social entrepreneurs. Westlund & Bolton (2003) expand on the meaning of social entrepreneur and claim that communities as well as individuals can have entrepreneurial characteristics. Some communities could possibly be more aware of their limited resources and opportunities but clear about their purpose to keep the community viable.

### **Defining the Community**

There are a number of internal and external definitions of community in relation to Snake Valley used by governments and local citizens. Snake Valley is a small town located about 90 minutes by car from Melbourne in Australia. The town of Snake Valley (5.1 sq. Km) has a population is just over 300 and is in the middle of a larger regional statistical area also called Snake Valley (900). Snake Valley is in the southern section of the local government administrative unit called Pyrenees Shire (ABS, 2007).

The current Community Plan drawn up by residents of Snake Valley provides a short historical sketch.

White settlement began in 1838 at the Aboriginal hunting ground known as Kurnam (later Carngham) and boomed during the gold rush of 1857. At one time the district had almost 10,000 white settlers and supported four hotels and a casino, plus numerous shops, trades people and other agricultural enterprises. (Snake Valley Community Plan, 2007)

Ballarat is about 20 minutes by car from the new Snake Valley town sign. Geographers would label Snake Valley as peri-urban; a rural town that interacts economically as part of a larger urban centre (Fisher, 2003). The statistics for the 2006 census indicate that Ballarat (88,000) is the fastest growing inland city in Australia (City of Ballarat, 2007) and is the work location for the majority of employed people of Snake Valley (ABS, 2007).

Snake Valley has a number of notable buildings that house community institutions dotted along the main road that runs through the town. There is of course the pub, the general store (and post office), the community hall, the primary school and three churches. Snake Valley also has a traffic island to mark the one major intersection on the road through town. But there is little observable economic activity along this “main street”. However, about 12 local businesses advertise their goods and services in the Snake Valley News which indicates more economic activity than can be observed driving through the town. The buildings and the business help to define locally the community of Snake Valley (Fisher, 2003).

An external descriptor of Snake Valley could be a “depleted” town. According to Johnstone & Lionais (2004) a depleted town is an observable place (the new Snake Valley sign is built in concrete) that was a much larger place with more observable economic activity in the past. The continued existence of depleted communities may be explained by the distinction between space and place. Space is a concept created from an economic development perspective that is evaluated for its capacity to provide profits or financial rewards. Financial rewards may generated by either production or consumption. On the other hand, place is a socially defined location where people create and practice culture. Thus, while space is the location of profitable enterprise, place is the location of social life.

In addition it seems that community ties “create a powerful resistance to leaving” even in depleted communities which lack “growth mechanisms” (Johnstone & Lionais, 2004). Tan, et al. (2005) argue that both social and emotional ties to a community defy the concept of rational choice even when there are “economic signals” that indicate people should move. In reporting their study of London’s east end docklands, Twigger-Ross & Uzzell (1996) suggest that people retain attachment to place even if the place has become “negative”. The reasons can be personal or communal, but for some people continuity is important. The institutions that are kept alive are constantly the focus of stories and advertisements in the Snake Valley News. For example the community hall is over 80 years old and is constantly being upgraded for current use and to house mementos of the past, such as the Honour Rolls. Another example is the current project of the Snake Valley Historical Society; upgrading the War Memorials to provide the newest generation with information about the contribution of past Snake Valley residents. At least some Snake Valley inhabitants are concerned with continuity, even though the town might be considered a ‘depleted community’ economically (Twigger-Ross & Uzzell, 1996).

### **Discovering Innovation**

Having provided evidence of both internal and external definitions that Snake Valley is a defined community, we now must find some evidence of innovation, if Hindle's model is accurate.

Innovation is considered by most scholars of entrepreneurship as an essential. However, innovation is not a well defined concept. Much of the innovation literature focuses on research and development of new products. The concept to innovation is used to indicate two types of change: change in design to make a product better, or change in perception to change the use of a product. This highly instrumental view of innovation has played out in the high tech revolution so that innovation for many scholars has come to mean IT in all of its manifestations (Zhoa, 2005).

At the same time innovation has also come to be a synonym for entrepreneurship. This follows on from the work of two fathers of 20<sup>th</sup> century entrepreneurship, Schumpeter and Drucker. However, for both scholars innovation was more concerned with opportunity awareness than invention; innovation meaning opportunity (Shane & Venkataraman, 2000). Innovation is also assumed by many scholars to be the foundation of economic growth and thus there are a number of research streams that focus on the relationship between wealth creation and innovation (Legge & Hindle, 2004).

Drucker (2004) viewed innovation as both the ability to perceive and the ability to take advantage of some "gap" to provide additional wealth creation. However, for the purpose of this paper, we can not equate innovation with wealth creation since our research is exploratory, thus any discussion of economic growth would be speculative. While we are not able to measure wealth creation or economic growth, it still may be possible to find evidence of some gap filled by innovative activity in Snake Valley. Indeed the documents examined appear to indicate support for a climate of innovation.

One good example of innovation is the Snake Valley News. A perceived gap in a depleted community would be some means of building social bonds and links. A community newspaper of filling this gap is a tried and true method. The concept of a newspaper itself is not innovative, but providing one in a specific community could be seen as innovative (Johannisson, 1990). The Snake Valley News appears to help build social capital by providing a forum for the celebration of special events of the local community. In other words, the newspaper contributes to the validation of the belief in the value of Snake Valley as a place. At the same time this innovative community project appears to help in "creating wealth" by making known the goods and services available to the community by selling advertising.

The Snake Valley News, being a not-for-profit organisation, has also developed an innovative way to redistribute the excess earnings of the paper. The funds are available to other members of the community through competitive micro-grants that enhance the community. The December issue of the paper indicates three recent grants: \$150 to cover travel expenses to up-skill emergency services volunteers, \$150 to construct two seats for walkers at Mag Dam, and \$100 prize money for the winner of the Snake Valley Fair Photographic Competition. One interpretation of this innovation could be evidence of community development by an entrepreneurial community (Haugh, 2007) and another might be evidence of social entrepreneurial activity that adds value to society (Dess, 1998).

### **Evidence of Social Entrepreneurial Activity?**

Snake Valley is a well defined community and innovation is evident in the micro-grants scheme of the community newspaper. However, to choose Snake Valley as an appropriate field-site for a more in-depth study of entrepreneurship, some indication of innovation for wealth creation was necessary (Legge & Hindle, 2004). Analysis of the Snake Valley News stories and advertisements seemed to indicate a significant amount of social 'economic activity' that was undertaken by volunteers (Ryan et al, 2005) for the betterment of the community as a whole or specific groups within the community (Westlund & Bolton, 2003). At the same time these activities appear to have an added quality that might be considered entrepreneurial; perceiving an opportunity that afford innovative use of social

capital with a social purpose. Could these data be interpreted as evidence of social entrepreneurial activity?

Tan, et al. (2005) suggested that social entrepreneurship can be found in three types of enterprises:

1. community-based enterprises
2. socially responsible enterprises
3. social service industry professionals

The purpose of these types of enterprise is to benefit society using social capital to take advantage of a perceived wealth creation opportunity. Examples of all three types of enterprise appear to be in Snake Valley.

The Snake Valley News is a community based enterprise (Johannisson, 1990). Individuals write, design and produce the paper. This is voluntary labour (Ryan et al, 2005) and as such provides some of the resources (social capital) needed for this social enterprise (Ripolles & Blesa, 2005). We have noted above that the newspaper appears to be taking advantage of the opportunity to add-value to the community by providing a forum for individuals and groups to maintain a sense of community (Twigger-Ross & Uzzell, 1996). It could also be argued that the content of the newspaper indicates that both the social (space) and the economic (place) are thriving in Snake Valley (Johnstone & Lionais, 2004).

Two commercial enterprises support the community newspaper through costs of printing and distribution. These businesses may gain economically through tax incentives. At the same time, socially responsible enterprises understand the positive connection between “good works” and economic good in a small community (Kilkenny et al, 1999). Other socially responsible enterprises advertise in the newspaper such as the electrician who has the skills to help the community and individuals adapt in an environmentally sustainable way to the changing climate, thus adding value to the community (Dess, 1998) by adding to its continuity (Twigger-Ross & Uzzell, 1996).

The Country Fire Authority (CFA) is a necessary part of living in Australia because of bush fires. All small rural towns have CFA volunteers who fight the fires and keep communities aware of risk and safety. They provide a service that has both far reaching economic and social consequences. The Snake Valley News is full of reports and advertisements for activities and events that are organised by the CFA Auxiliary that are assumed to support the CFA services. This group of volunteers (Ryan et al, 2005) provide a monthly eating event, usually a luncheon. These activities may appear to be “cake stall” fund raising events.

However, closer investigation of the CFA Auxiliary activities indicates the provision of a three additional social services. Firstly these luncheons are usually attended by over 100 people, in a community of 300 (or 900 if the larger administrative area is considered). The level of attendance indicates a social need is being met, specifically providing area seniors with a monthly social outing and a healthy meal. Secondly, the proceeds of one luncheon each year, is dedicated to leukaemia patients at local hospitals. At this special luncheon patrons are also asked to provide beanies and scarves for the oncology patients. The third social service moves beyond the Snake Valley district. The CFA Auxiliary also takes part in the Australian wide “Biggest Morning Tea” event to raise funds to fight cancer. Their links with other supporters of the project indicate wide ranging social bonds and links (Ripolles & Blesa, 2005). Thus, members of the Snake Valley CFA Auxiliary could be called “service industry professionals” involved in social entrepreneurial activity (Tan, et al., 2005). Clearly these documented activities have some elements of social entrepreneurship by providing positive social and economic benefits for the local and wider communities utilising the local social capital Westlund & Bolton (2003).

The concept of social entrepreneurship has many definitions (Mair et al, 2006) based on the fundamental elements of entrepreneurship, *opportunity and resources* locked into a social *purpose*. Our study of documents pertaining to Snake Valley indicates that much economic activity for the

social good is evident. In addition, in using the Tan, et al. (2005) typography of social enterprises, it appears that at least some examples of each are evident in Snake Valley. Thus, based on a document analysis of the Snake Valley News, we conclude that some social entrepreneurial activity is taking place in Snake Valley.

### Conclusion

This exploratory study was undertaken to ascertain whether or not Snake Valley could be used as a field-site for research into entrepreneurial activity in rural Victoria, Australia, as part of a broader study of entrepreneurship processes in rural Victoria and their correlation with community identity and local attitudes to entrepreneurship and change. Hindle's generic model of community wealth creation, which explains how discrete communities survive and prosper through economic innovation, was used as the basis for the assessment. Documents pertaining to Snake Valley, specifically the May to Dec 2007 issues of the community newspaper, the Snake Valley News, were examined for evidence of a defined community linked to innovation that might indicate entrepreneurial activity. Some entrepreneurial activity was identified.

We interpreted a variety of economic and social activities as social entrepreneurial activity based on a view that limited financial resources can be off-set by social capital made up of skills, time and knowledge given freely for societal benefit. At the same time, testing of individual enterprises for actual rather than assumed commercial or social entrepreneurial activity will require more in-depth research to provide definitive evidence of innovation resulting in wealth creation.

### Future Research

An ARC Linkage Grant application has been made with the support of the Municipal Association of Victoria for a three year program of research titled: *Councils, active citizens and entrepreneurship: Overcoming barriers to sustainable economic development in small rural towns.*

### Acknowledgement

The authors wish to acknowledge the financial support of the Municipal Association of Victoria and the Small Towns Project Victoria (STPV).

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