1. Connecting entrepreneurship with neighbourhoods and homes

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1.1 THE ISSUE

How to promote entrepreneurship and firm formation has been a major research and policy question for some time, and especially since the global financial crisis of 2007–2009. There has been a growing recognition of agglomerations as key to supporting economic growth and the importance of cities in growth processes (Fujita et al. 1999; Glaeser and Gottlieb 2009). However, at both theoretical and policy levels there has been a disjuncture between perspectives on how people work, start up businesses and innovate and how they live and house themselves (Reuschke and Maclean 2014).

Across entrepreneurship studies there is a range of work that has been concerned with the embedded nature of the entrepreneur, most notably in relation to ethnic minority business, women and family business. Family business in particular has an extensive and well-established literature (Cromie et al. 1999; Anderson et al. 2005). The family firm literature has argued that business and household are two institutions that are inextricably connected. Entrepreneurship studies that are concerned with these ‘blurred boundaries’ between the business and the household have looked at business and household decisions in relation to business strategies, notably how household characteristics and strategy influence the development of new business and business growth (Alsos et al. 2014). While this literature has contributed to understanding business practices and the role of the family in business, the interface of the (family) firm with the home has largely been excluded. An emerging literature on home-based businesses points to the significance of the home for entrepreneurship. In fact, the oldest (family) firms in the world are home-based, such as Hoshi Ryokan founded in AD 718 in Komatsu, Japan (Dodd Drakopoulou et al. 2003).
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Business may also influence decisions households make in the domestic sphere, for instance what type of neighbourhoods they choose to live in.

This volume focuses on the neglected role of the home and the (residential) neighbourhood context for entrepreneurship and businesses within cities. The overall objective is to develop a new interdisciplinary perspective that links entrepreneurship research with neighbourhood and urban studies. Making connections between businesses and entrepreneurship with people’s homes and local neighbourhoods is important. First, emerging new forms of work and businesses, notably home-based businesses, might be best facilitated by particular kinds of housing and neighbourhood arrangements relating to finance, regulation and design. Second, many business advice services and lenders do not regard businesses in less ‘conventional’ spaces, for example those that are based in the owner’s home, as ‘real’ business ventures. In consequence, the allocation of business funds may discriminate against home-based businesses, whilst regulations in social housing often prevent people from using their homes for business purposes. A significant potential for local growth may thus remained untapped. However, with over half of all small firms operating from home (Mason et al. 2011), they have to be seen as essential components of both national policies to increase start-up rates and local policies to promote economic development (Syrett and North 2008).

A main contribution of this book is to show that entrepreneurship in cities is more than agglomeration economies and high-tech clusters. The implication is that scholars, policymakers and practitioners have to look beyond central business districts, high streets and designated business areas to detect and promote entrepreneurship. Cities are places of small-scale businesses of all sorts, including home-based or mobile online businesses, and they accommodate a considerable self-employed workforce. These often overlooked types of businesses and workers significantly contribute to the ‘buzz’ (Storper and Venables 2004) that makes cities favourable places in which to live and work.

1.2 BACKGROUND

Economies in the Global North have faced substantial restructuring processes since the mid-1970s which are widely known as a shift from industrialised economies to post-industrialised economies, or the transformation of Fordist production systems to more flexible (post-Fordist) production and accumulation systems. These economic changes are
facilitated by technological advancements and accompanied by changes in societies with consequences for consumer demand and labour supply. It is well established in the literature that sectoral and occupational restructuring, information and communication technologies (ICTs) and increased outsourcing have led to a steep rise in small businesses and their interaction in complex business relationships across multiple spatial scales. Firm restructuring has also resulted in the growth of the ‘project economy’ that relies on flexible teams and independent workers.

In fact, the vast majority of businesses are not small – which in terms of staff employed usually means ten or more employees – but micro, which are according to new business classifications recommended by the European Commission businesses with fewer than ten employees and an annual turnover of less than 2 million euros (European Commission 2003). Micro businesses accounted for 92.4 per cent of all businesses in the EU28 non-financial business sector in 2013/14, and most of these micro businesses do not employ any staff (European Commission 2014, p. 14).

ICTs and the internet are key drivers of new forms of businesses and work and of changes in business and work organisation and location (Wynarczyk 2005). The Internet Age is linked, amongst other things, with the creation of online businesses that sell services or goods solely or mostly through the internet. Many of these online businesses or web-based economic activities do not require ‘conventional’ business premises. They could be located anywhere that there is easy and fast access to the internet. In fact, in principle, they could be mobile and operate without a fixed workplace. However, the ‘death’ of geography, which many commentators had foreseen in the 1980s and 1990s, has not become reality, as literatures on globalisation and business clusters have shown (Dicken 2011). Geographic proximity is still of great importance for many work and business relations. Instead, local and global interconnections of economic activity have become more relevant. Studies of people’s social activities also show that virtual interaction mirrors distribution of population and displays distance decay, and that the internet does not undermine local communities and face-to-face contacts (Kavanaugh et al. 2006; Mok et al. 2010).

This trend has been reinforced by the growth of project-based organisational structures, involving the repackaging of work into projects and assignments involving the collaboration of diverse skilled workers for a time-limited period (Ekinsmyth 2002; Grabher 2002; Sydow and Staber 2002; Zeller 2002; Whitely 2006; Johns 2010). The impact is evident in the decline in permanent employment and career structures and the
notion of ‘the job for life’ and in the growth of freelance and self-employed workers. Employment statistics underline the pervasiveness of these trends. In the US there are currently 17 million full-time freelance (or independent) workers. This number is predicted to increase to 30 million in the next decade (Tovey 2013). The number of self-employed workers in the UK in 2013 was 4.5 million, a rise of 650,000 (17 per cent) since 2008 (D’Arcy and Gardiner 2014). In the UK and the Netherlands in particular, the post-crisis recovery since 2010 has been largely driven by increasing numbers of self-employed workers (Hatfield 2015). In some countries self-employment has been promoted by policy as a way to prevent and/or decrease unemployment, for instance the ‘Ich-AG’ scheme in Germany and the ‘l’autoentrepreneur’ scheme in France.

Increasing levels of micro businesses and self-employment in non-agricultural sectors have recently been acknowledged by research and policy (OECD and European Commission 2013). In particular in the academic community this has sparked discussions about whether these self-employed or freelance workers are entrepreneurs in the Schumpeterian understanding, and whether they are relevant for business research and entrepreneurship studies or rather a labour market phenomenon of interest mainly to labour market researchers (Shane 2009). What is less established in research and policy is that businesses not only have become micro, but increasingly locate and network in less ‘conventional’ spaces. One of these less ‘conventional’ spaces is the home. It is well established that many business start-ups take place in the entrepreneur’s home and that now quite large numbers of businesses are home-based. This type of home-based business is difficult to grasp with existing administrative or survey data. Estimates, however, suggest that at least half of all businesses in the UK, the US and Australia are home-based (Mason et al. 2011).

Of course, the home is not a ‘new’ space of business activity. Particularly in economies in the Global South the home has been a long-established place of economic activity, overwhelmingly as a means of household survival. Home-based self-employment has also a long tradition in the pre-industrial and early industrialisation era in the Global North and continues in such sectors as farming, trading and providing accommodation (bed and breakfast and guesthouse). However, it clearly has witnessed a revival in post-industrial economies and is now the everyday reality for a much greater variety of workers and businesses. Whereas this type of working was neither widespread throughout industrial times nor perceived to be ‘ideal’ (Felstead et al. 2005), it is now
linked in the literature with issues such as greater work–life balance and therefore increased agency.

‘New’ spaces of working and businesses are associated especially with the rise of the creative industries. Co-working spaces, workhubs, maker-spaces or so-called creativity labs have recently been studied as spaces where creative people work (Spinuzzi 2012; Schmidt et al. 2014). Many of these workers will be self-employed who use these external spaces for networking and meetings with clients or business collaborators.

Local embeddedness is a key concept in economic geography, entrepreneurship and urban studies that has increasingly been used to understand the interrelationship of economic activity and entrepreneurship with space and place and why the locale has experienced a revival despite the internet economy (Keeble et al. 1998; Watts et al. 2006). According to this concept all activity is embedded in place. This means in relation to urban studies that every place is socially constructed, and where people live affects their fortunes and provides structure to their lives. The recent literature has particularly been concerned with the existence of neighbourhood effects on people’s life chances, health and employment choices (van Ham et al. 2012). Economic activity is usually regarded as ‘locally embedded’ if the firm or the owner manager is locally connected with other firms and institutions and/or recruits staff locally. The geographic scale at which local embeddedness is usually investigated and conceptualised in the economic literature is much larger than the business location, stretching most often across a region rather than the city fabric of neighbourhoods and residences. Moreover, economic studies often limit networks to inter-firm networks or business contacts (Hess 2004).

Home-based businesses reflect that businesses cannot be disconnected from the domestic and household spheres of the owner (Vorley and Rodgers 2014). Embedding businesses in the home and their household context brings to the fore personal relations with family members but also neighbours and more generally people living close by: a realm of social contacts that have been common objects in neighbourhood and housing research. Entrepreneurship studies have failed to ‘scale down’ to the residential context of entrepreneurs even though some studies have investigated entrepreneurship at the neighbourhood scale (Welter et al. 2008; Williams and Williams 2011). However, the few studies that have looked at the wider social relations and residential context of (would-be) entrepreneurs have found that the neighbourhood context influences firm locational choices (Sleutjes and Völker 2012), and local networks in the neighbourhoods where (would-be) entrepreneurs live are crucial for generating and realising business ideas. Women particularly demonstrate a greater reliance on their local community networks when setting up a
business (Hanson 2003, 2009; Hanson and Blake 2009; Ekinsmyth 2011). Given that other related employment studies have found that
neighbourhoods are crucial for the job search of young people from
disadvantaged backgrounds (Tunstall et al. 2012), it seems likely too that
there are relevant connections between neighbourhoods and young
people’s entrepreneurship choices. The residential neighbourhood context
where entrepreneurs live thus appears to be a promising area for
entrepreneurship studies.

This interrelationship between entrepreneurs or the self-employed with
the neighbourhood in which they live can be of relevance to a range of
micro businesses, as has been demonstrated with regard to research on
ethnic minority businesses (Sepulveda et al. 2011; Jones et al. 2012).
Giuliano (1998) found that in the metropolitan area of Los Angeles the
self-employed have the shortest commutes, accounted for by home-
working. Thus the self-employed may choose to work in the home or
close by because the neighbourhood provides relevant resources for their
work. On the other hand, living close to the business or having the
business actually in the home does not necessarily mean that the business
is ‘embedded’ in the neighbourhood it is located in. Businesses might
have a high level of local interaction in terms of supply chains and use of
local facilities, but it is also likely that such local connections are limited,
as in the case of web-based businesses where national or international
connections are key to business operation. The nature and extent of the
embeddedness of these entrepreneurial activities as well as their growth
orientation and innovation potential have important policy implications.

Linking entrepreneurship research with neighbourhood studies also
draws attention to cities. Clearly, most economic activity and population
are based in cities, and there is evidence that firm formation is higher in
urban areas (Keeble and Walker 1994; Bosma and Sternberg 2014). Recent
years have also seen a revival of debates about localisation and
urbanisation economies (Fujita et al. 1999; Parr 2002; Glaeser and
Gottlieb 2009; Puga 2010). Cities have therefore moved centre stage in
research and policy agendas. However, most existing literature in man-
agement and entrepreneurship studies either is not geographical or is
limited in its concern to rural areas (Kalantaridis and Bika 2006). At the
same time, the geographical literature on entrepreneurship is mostly
concerned with high-tech businesses in designated business areas, firm
formation or larger businesses. The economic significance of home-based
businesses is thought to be high in rural economies (Newbery and
Bosworth 2010), whereas it is striking that home-based businesses have
not been researched in suburban and inner urban localities (see Jain and
Courvisanos 2013 for an exception). However, it can be argued that they
are also apparent in urban locations and neighbourhoods but that they may be less ‘visible’ than in rural areas and therefore more difficult to detect and research.

1.3 CONTENT OF THIS VOLUME

This volume is a collection of papers presented at the seminar ‘Understanding Connections between Entrepreneurship, Home and Neighbourhoods’ that the editors organised at the Scottish Universities Insight Institute in January 2014. This was the first in a series of seminars funded by the UK Economic and Social Research Council (ESRC) that aims to advance knowledge of the role of homes and neighbourhoods for entrepreneurship and firm formation and to inform enterprise and housing policy and practice.¹

The seminar was designed to discuss interdisciplinary theoretical perspectives and international empirical findings to identify connections between entrepreneurship studies and housing or neighbourhood research, and areas for integrative research. Speakers at this event included scholars from entrepreneurship studies, management, housing and neighbourhood studies and planning. Crucially, contributors from neighbourhood and housing studies usually had not engaged with entrepreneurship studies or the concept of an entrepreneur before, and likewise contributors from management and entrepreneurship studies had most often not incorporated space and place concepts in their research. This gives the volume a unique character and ensures its original contribution.

Key questions we sought to address in this seminar and that guide this book include:

- What can urban and neighbourhood research learn from linking entrepreneurship with neighbourhoods, homes and households?
- What can entrepreneurship research gain from an urban or neighbourhood perspective on the study of entrepreneurship?
- What concepts are useful to understanding the interrelationship of entrepreneurship with people’s domestic and home spheres?
- How do urban neighbourhoods shape entrepreneurship?
- How does entrepreneurship shape cities and urban neighbourhoods?

Cities, neighbourhoods, homes and households are the four main threads across the book. These are all relatively underdeveloped areas of entrepreneurship studies, and this volume is the first attempt to connect these
themes. Contributors come from different social science disciplines and have city, neighbourhood or place as the focus through which they look at economic activity and entrepreneurship, or the primary interest is in the entrepreneurs themselves and how they relate to the domestic, home and neighbourhood domain.

All chapters use the term ‘entrepreneur’, but its meaning varies, reflecting the breadth of its contemporary use. This variety notwithstanding, what the chapters have in common is that economic actors are not investigated with economic innovation outcomes in mind, and businesses are not assessed in terms of their measureable economic outputs. In all cases it is people and their characteristics and actions in household, neighbourhood, community or urban contexts that are at the centre of the analysis. Most book chapters focus specifically on home-based businesses or make connections between the home as business location or workplace and the organisation of economies, societies and neighbourhoods. In some chapters, however, economic actors or businesses are not approached as home-based businesses in the first instance but as web-based workers, ethnic minority business entrepreneurs, portfolio entrepreneurs or mumpreneurs. Here the fact that these workers or entrepreneurs use their home as location or base for their businesses is an empirical finding rather than the starting point.

There is a clear overrepresentation in this volume of case studies in economies in the Global North. Clearly, what might be considered ‘unconventional’ in terms of business organisation and location in this introductory note refers to the context of the Global North and is routinely ‘conventional’ in economies in the Global South both in rural areas and in agglomerations. Being aware of this ‘Northern’ bias, we hope to encourage future research that will combine development studies and economic research around micro businesses, notably home-based businesses and community or neighbourhood enterprises.

The volume is divided into four parts. Part I approaches entrepreneurship through the structure and functions of neighbourhoods, web-based work and urban policy. Contributors combine neighbourhood theory with changes in work and entrepreneurship and discuss how communities and internet platforms shape space and entrepreneurship. Part II investigates entrepreneurial practices and networking in urban neighbourhoods based on empirical studies in the UK, the Netherlands and Germany. The neighbourhoods and entrepreneurs under investigation vary greatly, but social networks and emotional attachment to the neighbourhood strongly feature in all of these case studies. Part III focuses on business and entrepreneurship in relation to the home and
household. It discusses theoretically why the business cannot be disconnected from the household and home context of the entrepreneur and provides empirical insights into the characteristics and practices of home-based business entrepreneurs and households. Part IV concludes.

Chapters 2 and 3 set the scene for bringing neighbourhood and housing studies into entrepreneurship research. Both chapters argue that neighbourhoods continue to be important in people’s lives. In particular, they are places for social interaction and relationships. Chapter 2 by Nick Bailey reviews both neighbourhood and entrepreneurship literatures to explore how the neighbourhood may influence entrepreneurial processes. The chapter looks specifically at attitudes to entrepreneurship, neighbourhood resources and choices. It identifies three potential roles of neighbourhoods for entrepreneurs: they are locational assets providing market access, land, infrastructure and so on; they can provide symbolic value; and they are sources of social relationships. Bailey argues that, because entrepreneurs are a highly diverse group and neighbourhood importance and attachment depend on various individual factors and vary over time, there exists no generalisable role of the neighbourhood for entrepreneurship. He reserves the symbolic importance of neighbourhoods mainly to the middle class and creative class and highlights high-bonding capital as an asset of deprived neighbourhoods. In Chapter 3 William A.V. Clark re-examines the work–residence relationships, emphasising the significance of the internet and ubiquitous computing. He argues that neighbourhoods are the context within which people organise work–residence relationships and that home-based entrepreneurial activity is likely to change this relationship substantially. This is underpinned by population data from US metropolitan areas highlighting the significance of homeworking and its concentrations and selectivity.

The role of ICTs and the internet for changing entrepreneurship–space relations is further explored by Anne Green, Maria de Hoyos, Sally-Anne Barnes, Beate Baldauf and Heike Behle in Chapter 4. This chapter investigates new web-based forms of business operation, drawing on case study research with users of internet platforms for business funding (crowdfunding) and work exchange (crowdsourcing). Crowdfunding offers new financing opportunities for would-be entrepreneurs, with a potentially wide geographic reach. Crowdsourcing platforms are used by micro businesses to outsource small tasks, while self-employed workers can conduct these tasks, often at their home location. The authors discuss the implications of these new forms of work and business organisation for space, neighbourhood, local embeddedness and local labour markets.
They find contradictory relationships between crowdfunding and crowd-sourcing and space, since they provide access to global markets yet at the same time enable local work and often require local networks.

Alan Southern and Geoff Whittam challenge in Chapter 5 the existing neoliberal urban research and policy agenda that sees entrepreneurialism as an individual and purely competitive act. The authors argue that this prevalent view overlooks entrepreneurial activities in cities that are essential for the resilience of urban neighbourhoods. Using Glasgow and Liverpool as examples, they situate entrepreneurship as a social, cultural and political phenomenon and show how urban communities are shaping collective enterprising activities.

Social networks and local embeddedness are key themes in the subsequent four chapters, covering different types of entrepreneurs and different types of urban neighbourhoods. Carol Ekinsmyth focuses in Chapter 6 on mothers who run home-based businesses around their childcare routines – a group of entrepreneurs that has been investigated under the label ‘mumpreneurs’ in the recent literature. Based on in-depth interviews with enterprising mothers in different geographic contexts and neighbourhood types she found that a key role of neighbourhoods for entrepreneurs is the provision of localised social networks. Contrary to current thinking she stresses that localised contacts are often not primarily business-related but include family- or children-centred contacts. Weak neighbourhood-based ties provide a sense of belonging and are also important resources for the business.

Neighbourhood-based networks are also a key issue in the chapter by Veronique Schutjens, Gerald Mollenhorst and Beate Volker. The focus of Chapter 7 is on the change in social networks of entrepreneurs. Social networks are measured in relation to the social capital that the entrepreneur can access. This includes business-related networks as well as personal contacts such as friends, relatives and acquaintances. Empirical findings presented in this study draw on a longitudinal quantitative study of ‘neighbourhood entrepreneurs’ who run a business in the home or close to their home but whose markets can be located everywhere. The authors use a set of network indicators and the neighbourhood or locality orientation of these networks and found that entrepreneurs who live and work in the same neighbourhood also have important local networks that grow over time and increase in diversity. Home-based business entrepreneurs and entrepreneurs who serve local markets, in particular, have increased their local social networks and thus their local social capital.

The interlinkages between networks of the business and the personal networks of the entrepreneur also feature in Chapter 8 by Heike Hanhörster, Sabine Week and Ivonne Fischer-Krapohl. Their focus is on
the interrelationship between the residential choices and the business location choices of second-generation Turkish entrepreneurs. The authors ask in particular why ethnic minority entrepreneurs have set up their business and/or live in neighbourhoods with high migrant concentrations. They structure their empirical study around market access, social embeddedness and family embeddedness. They found that for their sample of 30 entrepreneurs in the German Ruhr valley ‘traditional’ business location factors such as proximity to customers, market potential and availability of inexpensive business premises are relevant but that the family context (‘family embeddedness’), the firm’s proximity to the entrepreneur’s home, neighbourhood attachment and access to certain segments of the housing markets are likewise important for understanding the business location choices of ethnic minority entrepreneurs.

Franz Flögel and Stefan Gärtner choose deprived urban neighbourhoods as a setting for their entrepreneurship study in Chapter 9 to show that these neighbourhoods provide important resources for businesses, notably abandoned spaces that enable (would-be) entrepreneurs to realise business ideas and to create (unintended) social impact for the neighbourhoods in return. They argue that these ‘spatial enterprises’ that have a high dependence on local resources can help in improving and stabilising deprived neighbourhoods. In their eight case studies in German cities, place-based social impact was a ‘by-product’ so that existing alternative enterprising concepts such as social enterprise or community enterprise did not prove useful for the space–entrepreneurship relations they found. They therefore suggest the concept of ‘spatial enterprises’ and call for tailored local economic policies to support this type of enterprise.

The next three chapters focus on the connections between the household and home with entrepreneurship and enterprise. Ways of how research can connect business and domestic spheres are comprehensively discussed by Samuel Mwaura and Sara Carter in Chapter 10. The authors review a wide breadth of literatures and empirical material showing that the demarcation of assets, incomes and expenses between the household and the business are often blurred, and that business lifecycle and household lifecycle often run in parallel. On this basis, the authors develop a new theoretical framework for the study of entrepreneurial and household choices, actions and well-being.

Chapters 11 and 12 go on to present findings from home-based business studies in very different urban settings. While Darja Reuschke and Colin Mason look at how distinct urban home-based businesses are in Scotland (Chapter 11), Hebe Verrest discusses the roles of local communities and neighbourhoods for home-based economic activity in Caribbean cities (Chapter 12). Both chapters highlight that the home is a
significant business incubator in urban areas. Drawing on a sample of members of the Federation of Small Businesses in Scotland, Reuschke and Mason test whether urban home-based businesses are different as compared to urban businesses that are not home-based and to home-based businesses in rural areas. They found significant differences in relation to the characteristics of the owner, the characteristics of the business and the motivations for running the business from home. Areas of future research arising from this study include the role of health or disability and suburban areas for entrepreneurship.

Hebe Verrest uses the livelihoods concept and a qualitative research design for understanding the home-based economic activities of households in Caribbean cities. Communities and neighbourhoods play crucial roles for home-based businesses, but these can be positive and negative. The markets of these businesses are highly local, and so is competition. While existing economic research has often stressed the positive aspects of localised networks for entrepreneurship and business, this chapter provides striking examples of how limiting local networks and community can be for entrepreneurship in these urban contexts.

Finally, Chapter 13 (by the editors of this volume) presents concluding remarks based on the contributions in this book. This concluding chapter synthesises findings, discusses the role of homes, households and neighbourhoods for entrepreneurship, comments on the methods and data needed to do research on the connections between entrepreneurship and homes and neighbourhoods, and finally presents ideas for future research.

Together these contributions provide a range of interdisciplinary perspectives which explore and develop the connections between housing and neighbourhood research and studies in entrepreneurship, which we hope will be just the start of a rewarding and long-term dialogue.

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NOTE

1. For more information on this seminar and the ESRC seminar series ‘Entrepreneurship in Homes and Neighbourhoods’ and a full list of speakers and abstracts visit http://www.st-andrews.ac.uk/homebusiness/.

REFERENCES


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