

Entrepreneurship, Culture, and External Economic Shocks: A Study of Local Resilience

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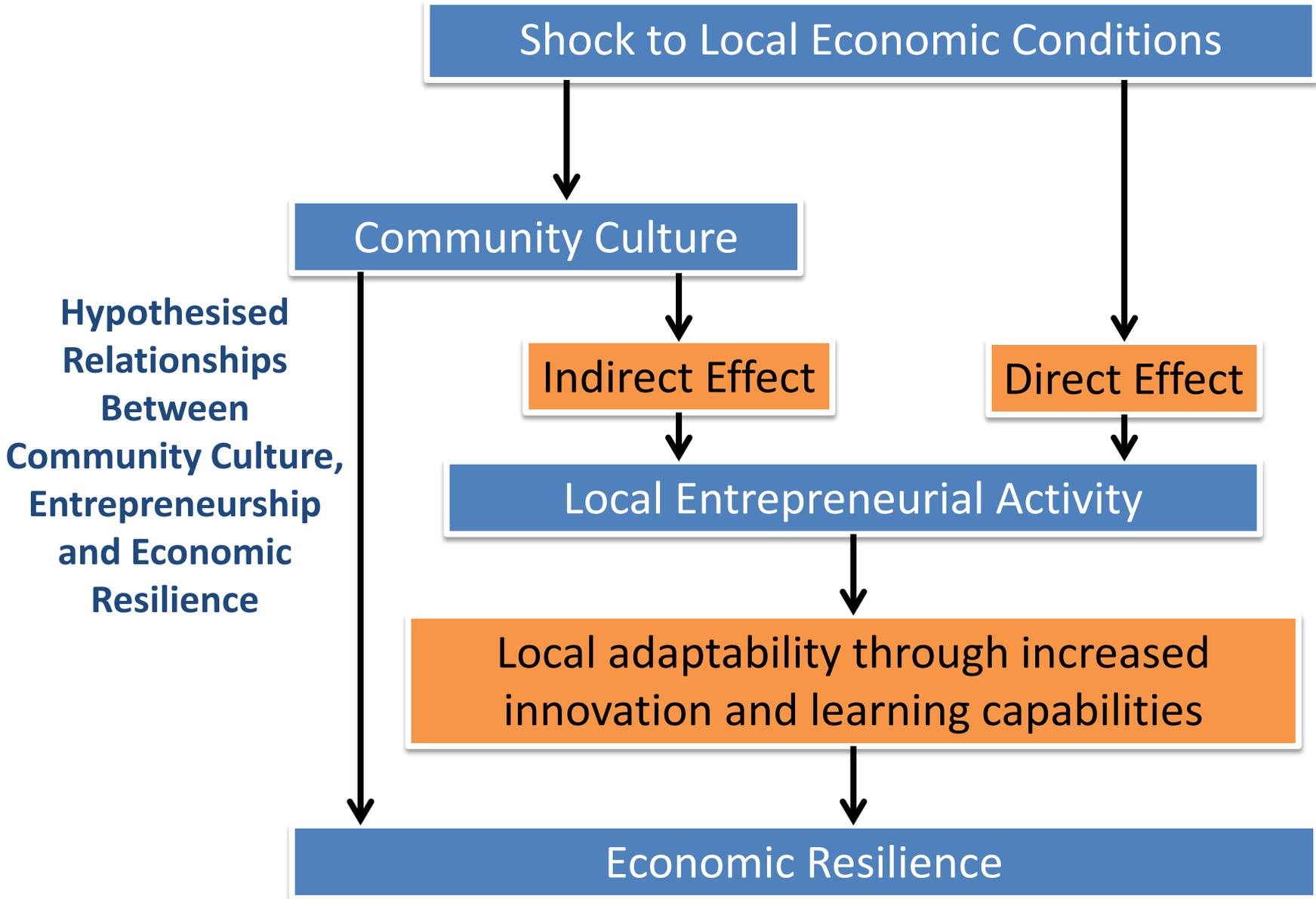
Context

- Some local economies appear to be better placed to withstand recessionary shocks such as the 2008 economic crisis than others.

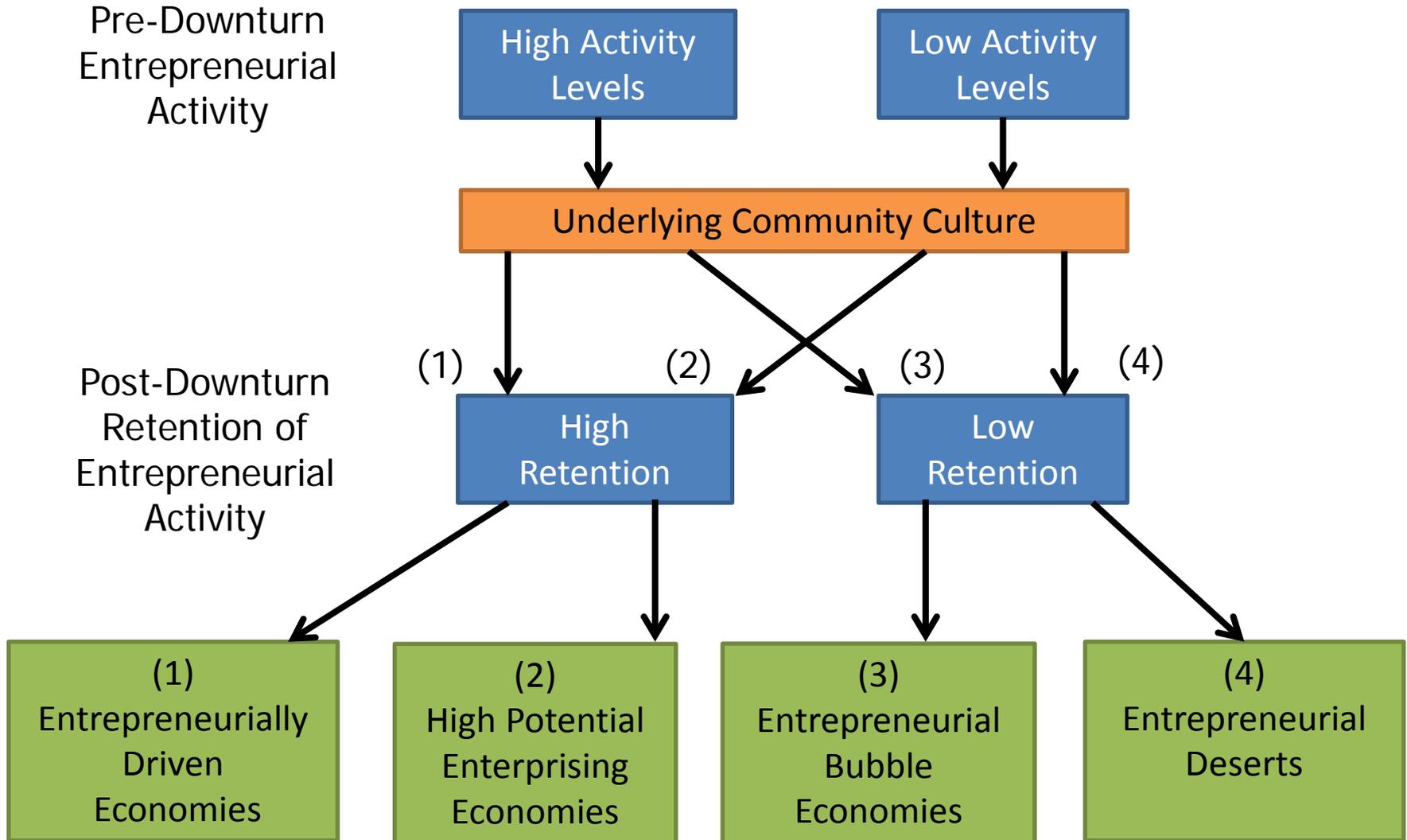
- Factors aiding recovery:
 - A strong regional system of innovation
 - Strength of factors that create a 'learning region'
 - A modern productive infrastructure, both traditional and digital
 - A skilled, innovative and entrepreneurial workforce
 - A supportive financial system providing patient capital
 - A diversified economic base, not over-reliant on a single industry

- Differing levels of resilience may link to variations in entrepreneurship level across localities.

- Local community culture may have a role in promoting both economic and entrepreneurial resilience.



Entrepreneurial Resilience



Research Questions

- Does local entrepreneurial activity increase the resilience of local economies?
- What aspects of the community culture of local economies are associated with greater entrepreneurial resilience?
- What aspects of the community culture of local economies are associated with greater economic resilience?

Data

- Level of Aggregation/Date:
 - Localities: local authority district areas
 - Coverage: Great Britain
 - Period: 2004 and 2010
- Cultural Measures:
 - Based on activities rather than values.
 - Limited by data availability.
 - Five indices are developed based on those elements identified within the existing literature concerning community culture (Hofstede, 1980; Schwartz, 1994).
- Economic outcome measures:
 - Change in Gross Value Added (GVA) per head
 - Change in median weekly wages
 - Change in claimant count rate.

Table A1: Community Culture Measures – Embracement of Work and Employment

Construct	Measure	Source	Local Indices Weighting
Embracement of Work	Male economic activity rates	Annual Population Survey (APS)	0.5
Education and Long-Term Orientation	Proportion of population with NVQ4	Annual Population Survey (APS)	0.125
Education and Long-Term Orientation	Proportion of population with no formal education	Annual Population Survey (APS)	0.125
Education and Long-Term Orientation	Primary school absenteeism, proportion of half day sessions	Schools Statistics	0.125
Education and Long-Term Orientation	Secondary school absenteeism, proportion of half day sessions	Schools Statistics	0.125

Table A2: Community Culture Measures – Social Cohesion

Construct	Measure	Source	Local Indices Weighting
Community Homogeneity	Ethnic similarity	Census	0.1
Community Homogeneity	Religious similarity	Census	0.1
Engagement with Community Institutions	Proportion of the population identifying with a religion	Census	0.2
Embeddedness in Local Area	Gross migration as a proportion of the population	National Health Service Central Register	0.1
Embeddedness in Local Area	Proportion of the population which is UK born	Annual Population Survey	0.1
Local Identity	Proportion of the population perceiving themselves nationality of resident country	Annual Population Survey	0.2
Engagement with Political Process	Proportion of the electorate voting in the general election	Electoral Commission	0.2

Table A3: Community Culture Measures – Work life balance, femininity, and caring attitudes

Construct	Measure	Source	Local Indices Weighting
Femininity	Female economic activity	Annual Population Survey	0.333
Work-life Balance	Female part-time employment	Annual Population Survey	0.333
Caring Activities	Unpaid care provision of 1 hour or more a week	Census	0.333

Table A4: Community Culture Measures – Risk taking and social rules related behaviours

Construct	Measure	Source	Local Indices Weighting
Personal Risk	Age standardised alcohol related deaths per 100,000 population	Health Statistics Quarterly	0.25
Personal Risk	Underage conceptions per 1000 women	Health Statistics Quarterly	0.25
Social Rule Breaking	Non-sexual violent crimes per 1000 population	Notifiable Crimes Recorded by the Police	0.25
Social Rule Breaking	Crimes by deception per 1000 population	Notifiable Crimes Recorded by the Police	0.25

Regression Analysis

- Dependent Variables (Change 2004 – 2010)
 - Ventures Created
 - Scaled by population or stock of enterprises
 - GVA per capita
 - Median Wage
 - Claimant Count
- Independent Variables
 - Community Cultural Aspects
 - Pre-Downturn Entrepreneurship
- Other Controls
 - Business and Innovation Activities
 - Infrastructure and Industry
 - Population and Labour Force

Community Culture and Entrepreneurial Resilience

	Ventures Created (percentage of business stock)	Ventures Created (per 10,000 population)
Embracement of Work and Education	0.0242	0.0491
	(0.136)	(0.241)
Social Cohesion	-0.0227	-0.1114
	(0.328)	(0.063)
Feminine and Caring Activities	-0.1619	-0.2018
	(0.000)	(0.038)
Adherence to Social Rules	-0.0034	-0.0209
	(0.199)	(0.003)
Collective Action	0.0308	0.0620
	(0.000)	(0.003)

Notes: p-values in parenthesis

Community Culture, Entrepreneurship and Local Economic Resilience

	Change in GVA per capita	Change in Median Wage	Change in Claimant Count
<u>Entrepreneurship</u>			
Firm Births per 10,000 population	-0.0012 (0.926)	0.0000 (0.988)	-0.0055 (0.025)
<u>Community Culture</u>			
Embracement of Work and Education	-0.0138 (0.473)	0.0013 (0.004)	-0.0164 (0.000)
Social Cohesion	0.0186 (0.471)	0.0009 (0.139)	0.0152 (0.002)
Feminine and Caring Activities	-0.0690 (0.081)	-0.0005 (0.575)	0.0105 (0.157)
Adherence to Social Rules	-0.0010 (0.740)	-0.0001 (0.417)	-0.0019 (0.001)
Collective Action	-0.0001 (0.987)	-0.0001 (0.587)	-0.0029 (0.078)

Summary and Conclusions

- Greater social diversity and openness are likely to enable localities to access new ideas and increase resilience.
- Entrepreneurship is positively associated with economic resilience, but this is linked to other factors, so entrepreneurship alone is unlikely to be enough to revive struggling economies.
- Networked and civically engaged entrepreneurs that are likely to provide localities with entrepreneurial resilience.
- The correct institutional environment may encourage desired behaviours that are reinforced over time to become ingrained in the community culture of localities.
- In particular, decision-makers should try to develop a more open community culture, but still allow local resources to be pooled and accessed for the greatest benefit of the population.

Thank you