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## THE MAKING OF THE URBAN ENTREPRENEUR

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## THE MAKING OF THE URBAN ENTREPRENEUR

### **Abstract**

Pressure on infrastructure associated with growing urban populations, the ubiquity of new technologies and collaborative business models are making way for a new form of entrepreneurship focused on addressing quality of life in cities. Urban entrepreneurs are challenging the logic of formal market structures, forcing us to reframe our thinking around the interactions between place, individuals, institutions and the resulting innovative outcomes. Our research suggests that urban entrepreneurs, operating at the neighborhood, city and global levels, emerge through extensive collaboration in cities, articulating alternative forms of private-public-people partnerships and unique strategies to breakthrough the market.

## **Introduction**

By 2050, the United Nations estimates that more than two-thirds of the world population will be living in cities. One decade from now, there will be nearly 30 cities with over 10 million inhabitants, with some of them reaching 20 million. It is estimated that 1.3 million people move to a city every week. Because of their density, it is assumed that cities offer a more sustainable lifestyle than that found in the countryside, however city immigration also requires moving more food, energy and water into the city, and removing an increasing amount of waste and carbon emissions. Relatedly, the promise of higher quality of living standards in cities puts pressure on city welfare provision systems demanding access to education, housing, transportation and healthcare for a growing population. Rapid urbanization requires that scholars, policy-makers and businesses alike seriously consider the implications emerging from this trend.

The growth of urban areas requires an unseen investment in – hard and soft – infrastructures as well as in improving extant systems of welfare provision. Cities face dramatic challenges, but at the same time open a wide array of opportunities that carry our hopes for a sustainable future. In addressing such challenges, entrepreneurship literature argues that new venture formation can be seen as a solution to, rather the cause of, environmental degradation and social inequality. This is because social and environmental problems represent opportunities for achieving profitability while simultaneously reducing socially and environmentally degrading economic behaviors (Cohen and Winn, 2007). These are opportunities worthy of serious pursuit (Guclu et al. 2002).

In general terms, the emergent field of social entrepreneurship has proven successful in dealing with pressing social and environmental issues. Attractive opportunities for social entrepreneurs are the ones with sufficient potential for positive social impact, therefore social

entrepreneurship is more likely to occur where there are significant socioeconomic, cultural, and/or environmental problems (Dacin et al. 2010), as we are witnessing in cities around the globe. Ventures with social and/or environmental missions are equipped with enough resources and strategies to deal with urban challenges, at least in theory. However, current challenges in cities prove otherwise. In recent years, cities have evidenced an emerging type of entrepreneurial activity that is focused on engaging and improving urban well-being through the pursuit of entrepreneurial opportunities residing in public or private good failures. Urban entrepreneurship brings into existence future solutions resulting in economic and non-economic gains for the urban ecosystem, the public and private sectors and the entrepreneur. This form of, presumably, social enterprising is using the city as a living laboratory where collaborative, innovative solutions are developed and tested, and is the ultimate recipient of the benefits of urban-minded entrepreneurial behavior. The city is thus the host and the object of transformation of such venturing efforts.

Responding to this movement, an entirely new infrastructure and entrepreneurial ecosystem is emerging in cities (Brugmann 2009), which defies social entrepreneurship practice and theory. Let us illustrate this point by referring to a number of recent developments in cities. Points of Light, out of Atlanta, launched an accelerator for city ventures in 2011. Code for America launched a city venture accelerator out of San Francisco in 2012. A local entrepreneur and the City of Jackson Hole created a sustainable agri-business to increase community participation. A group of entrepreneurial moms and the City of Bristol (UK) are reopening public spaces for children to play on the street. The City of San Francisco has an Office of Civic Innovation while the city of Boston has the office of New Urban Mechanics. City-oriented crowdfunding platforms

such as Neighbor.ly, Spacehive and Citizeninvestor have emerged to support neighborhood projects and city ventures around the globe.

In light of this phenomenon, it is unclear whether current social entrepreneurship practice and theory are capable of accounting for what actually occurs when urban infrastructure and welfare systems of cities are improved through entrepreneurial action. The venturing context and processes in urban-driven enterprising require further examination. In responding to such a challenge we set out to discover distinct features and mechanisms of urban-focused entrepreneurship.

We tackle this challenge by means of a qualitative, inductive research design of 21 urban-focused new ventures and city entrepreneurship accelerators. We center our analysis on those unique features of the context, process and actions of urban entrepreneurs that seemingly differentiate them from other types of entrepreneurs, namely social or purely commercial entrepreneurs. Our research findings suggest four distinct factors. First, urban entrepreneurial action aimed at improving well-being in cities draws on extensive private-public-people collaboration. One that moves the traditional policy logic of problem to solution, to one of opportunity to venturing. Second, throughout the venturing process urban entrepreneurs articulate a unique logic that defies a traditional market logic structured around formal institutions. Instead of searching and scanning opportunities residing exclusively in market failures, they take a broader view to also include public and private good failure, in order to bring into being solutions capable of building bridges between the inadequate welfare provision and individuals search for well-being in urban contexts. Third, we found that urban entrepreneurship occur in multiple contexts (neighborhood, city and multi-city) which leads urban entrepreneurs to finally articulate

distinct market entry strategies, driven by unique combinations of three types of collaborative actions and three types of collaborative structures.

In bringing to light these new findings, we extend current social entrepreneurship literature by reconsidering the action of social enterprising in urban contexts, which we demonstrate involve unique features and mechanisms. By doing so, we stress the relevance of the context not only in inspiring action as a result of certain institutional conditions, but also in shaping action, logic and outcomes of entrepreneurial action as a result of dealing with an increasingly complex setting, the city.

### **Socially-oriented entrepreneurship: transforming city problems into opportunities**

Observing entrepreneurship entails focusing on the sources of opportunities, the processes of discovery, evaluation, and exploitation of opportunities, and the set of individuals who discover, evaluate, and exploit them (Shane and Venkataraman 2000). At the heart of entrepreneurship, therefore, is the notion of opportunities (Austin et al. 2006), which are situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new market mechanisms (Eckhardt and Shane, 2003). These emerge as a result of perceived anomalies or changes in the individual's context, and vary depending on the locus of change, the source and the initiator of the change (Eckhardt and Shane, 2003).

Generally, social entrepreneurs are external actors scanning, evaluating and making judgments about the conditions of their surrounding social and natural environments, who elaborate solutions according to such judgment. Solutions are elaborated by problem-solvers in

distinct ways according to their perceptions of the nature and severity of the problems at hand (Muñoz and Dimov 2014).

Variance in the nature and intensity of social and environmental problems thus play a central role in fostering socially-oriented entrepreneurial activity, where logic mandates that severity, as market attractiveness for commercial entrepreneurs, can trigger action and secure success if the right strategic steps are taken. Current problems and challenges facing cities around the globe thus represent a rich source of opportunities for those socially-oriented, city-minded individuals wanting to engage in commercial activities that address migration, overpopulation, traffic, food supply, housing, transportation, jobs and education among others.

In tackling these issues, governments have traditionally used public-private partnership (3P) models to cooperate with the private sector in the hopes of stimulating economic development and improve public service delivery to citizens (Clarke, 1998). 3P models and derived tools stem from the need for alternatives to traditional financing of public infrastructure projects.

These traditional 3P arrangements have sought to move the financial burden associated with projects from - local, regional and national - government to one or more private sector firms under a structured procedure for the delivery of public services. 3P models can be structured in several ways, from the simple public infrastructure *design and build* contracts to more complex alliances including design, build, finance, operation, maintenance, and transfer. In spite of their complexity, these partnerships have been unable to incorporate other societal actors because they simply narrow collaboration down to long-term contract in which a private firm controls and manages a public asset over an extended period of time in exchange for user fees.

City challenges are rather unique given the relevance of social life and territory in shaping development. Facing these challenges requires multiple actors working collectively towards common goals (Montgomery, 2012). Emergent streams such as collaborative public management (McGuire, 2006), collaborative governance (Kapucu et al. 2009) and public entrepreneurship (Klein et al. 2010, Hjorth, 2013) have already emphasized the need for, and role of, multiple actors in managing governance processes in cities, including improvements to infrastructure and welfare provision. They highlight the role of certain individuals that resolve city issues by acting upon perceived opportunities. The delivery of public goods to citizens is no longer the exclusive responsibility of a single actor (i.e. government) but rather results from a combination of efforts (Klein et al. 2010). Collaborative public management stresses the relevance of this process because it facilitates the operation of multi-organizational arrangements capable of remedying problems that cannot be solved—or solved easily—by single organizations (McGuire, 2006).

### **The city as a context: urban-focused entrepreneurial action**

As previously discussed, social entrepreneurship has become a common term to describe entrepreneurial activity focused on addressing environmental and/or social problems via for profit, hybrid or non-profit business models. Some social entrepreneurs operate in the periphery tackling deep social problems in rural settings, others articulate profitable solutions to deforestation, and others are using the city as a platform for sustainable innovation. The latter recognize rapid urbanization and exponential demographic growth as a major challenge in fostering livable, healthy and sustainable cities.

Through the lens of traditional policy and business tools the challenge seems unbearable, because the growth in the number of cities and the expansion of existing ones require major



investments in infrastructure. As people move in, new transportation, water, energy, sewage, food distribution, educational, housing and recreational systems need to be built (Guillen, 2012). The challenges associated with population growth and urbanization are impressive, but so too are the opportunities, which are currently being pursued by a particular group of enterprising individuals who react to such anomalies by articulating new ventures collectively.

## **Research approach**

### *Sample selection and data collection*

Urban-focused entrepreneurship is an emerging phenomenon. As such, definitions and boundaries are yet to be defined, which calls for an exploratory research approach. In addition, such entrepreneurs are not as prevalent as purely social or commercial entrepreneurs which can be found around the world. Taking these two elements into consideration leads us to approach the field with no prior assumptions and with the simple expectation of being able to open up the black box of urban venturing, in terms of its uniqueness and complexity. In order to do so, we conducted a multi case-study research comprising 21 new urban ventures and urban (civic) accelerators. Following a purposive sampling strategy, we compiled a first set of cases from the Civic Tech Directory, created by Knight Foundation and Quid data analytics. This allowed us to access over 200 cases focused only on solving city issues. A snowball strategy allowed us to subsequently access and collect data from cases focused on city issues, however outside the tech realm. Table 1 provides an overview of the observed cases.

--- Insert Table 1 about here ---

Inductive, qualitative research focuses on particular behavioral systems. As such, it needs to trade large samples that would warrant generalizability for small purposively selected individuals that allow for inductively identifying specific factors that account for the phenomenon. This purposive sampling enabled us to gather a group of actors truly committed to solving city issues, and not simply driven by the economic promise of shared value. We classified our sample into three groups: ventures, city-oriented initiatives, and platforms/city accelerators. They cover the full urban enterprising spectrum and allow for accessing detailed and aggregated data on the boundaries and processes of urban entrepreneurship.

Our data collection process involved interviews with civic-minded entrepreneurs and public officials at the city council level working towards fostering city enterprising through city incubators or accelerators. In addition, we collected evidence by means of secondary sources, such as public reports, indexes, business plans (when available), websites, and crowdfunding profiles, which account for the development of city-oriented ventures. The latter allowed us to triangulate data and avoid retrospective, over-optimism and social desirability biases.

### *Data analysis*

We compared qualitative evidence with secondary data that stem from public and private reports. We used inductive analytical techniques aimed at recognizing patterns across the different sources of data. Inductive research requires a continuous, iterative process whereby research findings are in constant dialogue with current knowledge as the patterns emerge (Eisenhardt and Graebner, 2007). Two researchers conducted interviews and analyzed the data independently based on a common interview guide and pattern finding process. The interview guide was structured around four key themes, i) the connection between the problem, the

opportunity and the idea that propelled the urban venture; ii) the immediate actions taken after coming up with the business idea, such as information seeking, business planning, strategizing, engaging with key stakeholders; iii) the relationship between the entrepreneur, the venture and the spatial context in which it is embedded, and iv) the initial interactions with market structures, i.e. investors, suppliers and clients. This allowed for triangulation at the data collection stage and minimized the risk of interview biases, such as confirmatory bias or biased reporting. Drawing on our findings, we inductively established the boundaries and uniqueness of the phenomenon, defined the different levels of operation and the organizational structures, strategies, funding sources and business models mostly used in each of the contexts in which these entrepreneurs operate.

## **Research findings**

Our findings indicate that there are four factors that distinguish urban entrepreneurship from other type of entrepreneurial activities aimed at solving social and/or environmental issues: from 3P to 4P collaborations, venture development, and particular geographical opportunity spaces leading to distinct strategies. Below we explain and discuss each of them.

## **Advancing private-public partnerships in cities through entrepreneurial action and collaboration**

As previously mentioned, 3P models have proven helpful in the delivery of public services and infrastructure development because they represent a more cost-effective and agile alternative to privatization of public sector assets. Social movements, grassroots innovation, and other forms

of spontaneous democracy, however, are challenging these traditional collaborative forms. Increasingly, citizens and urban entrepreneurs are using distributed innovation and collaboration to recognize and solve city issues faster than what public and private entities can do in isolation or collectively. Drawing on evidence, we argue that the 3P concept requires a rethinking towards a more comprehensive model to include the active engagement of individuals in the urban, social entrepreneurial process.

--- Insert Figure 1 about here ---

In Figure 1 we summarize our findings regarding the new form of collaborative partnerships emerging from urban entrepreneurial action. It comprises four central actors that collectively act in the pursuit of common good.

The traditional *two-way, single-outcome* approach is replaced by the presence of multiple local governments arrangements operating in unison with local groups and the emergent interest of companies to contribute to sustainable development through innovation. At the center of the interaction diagram, we situate the urban entrepreneur (or team) who orchestrates the system by focusing on engaging and improving urban well-being through the pursuit of venture opportunities. Urban entrepreneurs can emerge from the private, public or people arenas, and they are only recognized as such – and move to the center of the diagram - when acting upon a perceived opportunity. Consequently, we argue that urban entrepreneurs are successful at scaling their projects and having a positive impact on quality of life in cities, when they embrace their role as a key facilitator of the partnering process. We contend that this is especially true for urban entrepreneurs pursuing collaborative economy business models.

The 4P – public, private, people partnership - framework derived from our findings extends the traditional 3P model in significant ways. While 3P models regulate initial interactions through

contracts with the aim of either improving public service delivery or infrastructure development, 4P models encourage emergent interactions through effective processes that transform city challenges into urban entrepreneurial opportunities. There is no specific target that drives partnering, but rather individuals reacting to mixtures of public and private goods failures through for-profit business solutions that use the collective force of social movements, local governments and companies as a platform for new venture development. As such, the model moves from the logic of *problem to solution*, promoted by traditional public-private partnerships, to one of opportunity to venturing, where entrepreneurial action is at the center of the stage. As Sascha Haselmayer, Co-Founder of Citymart indicates: “The difference between (traditional) PPP and true partnerships is that (in the latter) both sides share objective instead of contractual obligations. (We) need to move past contractor mentality-incentives to invest (in broad partnerships) because I share the objectives of community and government.”

### **Venture development in urban entrepreneurship**

The way urban entrepreneurs pursue opportunities departs from the traditional gap-filling market-based logic towards appreciating the complexity of, and the distance between, public (neighborhoods, cities or globe) and private (citizens) spheres. Instead of searching for venture opportunities residing solely in market failures, they tend to observe the system as a whole, comprising both public and private good failure, and provide entrepreneurial solutions to bridge the gap between the inadequate provision of goods and services from government and private structures and citizens’ search for well-being. In other words, while traditional (i.e. commercial) entrepreneurs respond to perceived opportunities based on mere market needs, urban entrepreneurs focus on solving issues experienced in daily living covering wider aspects of

human life. These issues, most of the time, emerge at the intersection of the individual, and the geo-social space in which he or she is embedded. The opportunity space where urban entrepreneurs operate is thus not shaped by the frustration experienced by individuals in their role as consumer, but rather as citizens in search for well-being.

Urban entrepreneurs cross the boundaries of market rules and develop business solutions capable of leveraging both the rigid rules of the formal economy and the flexibility that the informal economy offers. While the formal economy requires economic activities that are both legal and legitimate in order to function, the informal economy contains activities which recognize and exploit opportunities occurring outside formal institutional boundaries but within informal institutional boundaries (Webb et al. 2009). This occurs when business activities appear illegal to some people, but are legitimate to a large group of individuals (Webb et al. 2009). For businesses operating within formal and informal institutional boundaries only, the logic that propel urban enterprising is intractable.

Airbnb is an online service that allows its community of users the possibility to list their own properties for others to rent, as well as to book private accommodations around the world. It offers to its more than 20 million users a range of more 800 thousand accommodation alternatives in 34,000 cities across 190 countries, making Airbnb by far the largest accommodation provider in the world. Airbnb has been accused of running illegal hotels. Unlike traditional hospitality actors, Airbnb does not pay taxes per square meter of rented space and location, which ultimately defines the price of the room and the tax to pay, but rather they do it based only on service fees. Its business model may seem illegal for many, but the model confers enough legitimacy to continue operating, which makes it intractable for formal players.

Although disruptive, intractability is not to be considered as positive in any single situation. Informality provides benefits when considered legitimate by a large number of individuals, but raises questions when either the means or the ends of the informal activity start operating illegally. Being agnostic of market rules brings flexibility to business modeling yet minimizes the likelihood of establishing commercial relationships with large economic actors, which require maintaining high degrees of formality across their value chains.

### **The multiple contexts of urban social entrepreneurship**

In looking at the spectrum of urban socially-oriented enterprising, we found that there is no single version of urban entrepreneurship, but rather a range from those hoping to improve living conditions in their neighborhood, to those interested in improving life in their city and finally to entrepreneurs who focus on local issues but act globally, i.e. who seek to impact life in numerous cities in their region or around the globe by creating platforms for new urban ventures. Similarly, we identified several types of entrepreneurial efforts, dominated by collaboration. Although partnering with private and public actors is a central feature of urban social enterprising, this rarely occurs in the same fashion. There is a range of partnering alternatives from those that combine resources to accomplish a single task, to those that create broad, permanent alliances aimed at confronting pressing urban issues over the years.

Examining urban-focused social enterprising thus requires a different type of lens, one capable of dealing with the depth of a vertical context characterized by the presence of several geo-spatial layers, and the breadth of a horizontal context characterized by the presence of many possible ways of combining private, public and civic resources and efforts.

*Vertical and horizontal contexts of urban entrepreneurship.* Traditional understanding of entrepreneurial activities identifies four interacting spheres to explain how entrepreneurship occurs; these are the entrepreneur, the firm, the market and the broader environment. By focusing on the city as a geographical and social context, we identify instead three geo-social spaces in which the urban entrepreneur may center his or her attention: the neighborhood, the city and the globe (multi-city). Neighborhood-scale urban initiatives are more frequently projects with start and end dates and are less likely to have a scalable or even durable business model. Next, at the city level, we identified numerous urban ventures that were formed to be sustainable businesses. Finally, at the multi-city scale, we recognized several platform ventures, which we identify as multi-actor endeavors that seek to solve urban issues which can be found in multiple cities simultaneously and provide a stage for other micro initiatives and meso-level urban venturing to operate and flourish.

Urban entrepreneurs also operate in a horizontal context, which is defined by the actors and forms of interactions within the partnership. As such, the type of horizontal context varies depending on the composition and prevalence of actors, and on how the formality and frequency of interaction unfold within the collaborative context. Collaboration can occur across governmental, organizational and sectorial boundaries, and through formal contractual obligations, or through informal, emergent, and short-term coordination. Figure 2 illustrates the intersection of the two contexts by situating some of our cases in a plot.

--- Insert Figure 2 about here ---

This mixture of possibilities creates at least three types of collaborative action: one-off efforts, intermittent collaboration and permanent coordination, leading subsequently to three



distinct types of collaborative structures: temporary task forces, coalitions and alliances. We elaborate on these structures and geo-social levels below.

### **Strategizing in urban entrepreneurship**

As we show in Figure 1, urban enterprising involves a set of complex interactions between public bodies, firms and citizens, propelled by urban entrepreneurs. These interactions do not occur in one single geo-social space, nor are they similar in terms of organizing and strategizing. These 4P models take different forms and act differently depending on which horizontal-vertical context they are situated. Drawing on field data and literatures on collaborative public management (McGuire, 2006), spatial complexity ref and social entrepreneurship ref., we recognize and elaborate on three distinct types of 4P models leading to three unique 4P urban entrepreneurship strategies: project-based 4P strategy, new venture-based 4P strategy and platform-based 4P strategy. Table 2 summarizes the three types of 4P Strategies, which we will illustrate via several case studies we uncovered in our research.

--- Insert Table 2 about here ---

#### *Project-based strategy*

4P project-based strategy is based on the organization of a temporary task force, which is established to work on a specific and limited purpose and disbands when that purpose is accomplished. Changemakers Greater Manchester is a group of local organizations working to address blighted conditions in disadvantaged neighborhoods near Manchester, England. Its mission was to build a powerful community-led organization whose members take action on

issues of social, economic, political and environmental justice. It was a response to the experience that many people have of feeling powerless to influence the decisions that have impact upon their lives. Changemakers partnered with a charity organization, Church Action on Poverty, to introduce a participatory budgeting (PB) project in three neighborhoods.

Here we will summarize the PB project in the neighborhood of Old Trafford. Changemakers conducted a PB exercise in Old Trafford, population of 13,000, on July 16, 2011. PB is a highly democratic model of local government funding whereby citizens (people in our 4P model) are actively engaged with city officials in the decision-making process of allocating budgets to civic initiatives. In the PB exercise in Old Trafford, 31 ideas were presented in order to allocate 30,000 pounds. In the end 17 projects were selected by the community ranging from the creation of a web-based version of the local newspaper, Old Trafford News, to improved enforcement of traffic violations near local schools.

As seen in the Changemakers example, resource sharing is usually limited in scope, interaction normally occurs at a low level amongst individuals and local organizations, and there are no or limited formal contractual obligations. Neighborhood-level urban entrepreneurs traditionally use this strategy to solve local problems or improve particular urban circumstances, such as improving traffic and safety conditions near local schools. Business models are usually contingent and unstructured, and gain functionality as the initiative gathers new adherents, which can come from public, private and/or civic spheres. Changemakers Greater Manchester emerged in response to Nesta's Neighborhood Challenge. Nesta is a publicly funded innovation foundation in the UK, which obtains most of its resources via an endowment from the UK's National Lottery. In 2010, Nesta issued an open call for ideas focused on improving neighborhoods in the UK. They received over 600 proposals and eventually selected 17, each of

which were provided up to 150,000 pounds to prototype and execute their trial projects for one year. During that year, Changemakers Greater Manchester tested out different business models, mostly based on trial and error and collective learning.

Despite their emergent nature, project-based strategies have the potential to lead to fully developed, innovative business models. Increased maturity emerges when the initiative or project can be replicated in a different neighborhood. After Old Trafford, Changemakers Greater Manchester replicated the participatory budgeting project in Moss Side and Collyhurst.

In articulating a project-based 4P strategy, ad-hoc project teams, NGO's, and Community Interest Companies are the preferred organizational forms. They offer a more flexible and faster way for enabling individuals and local organizations to collaborate in a temporary task force, and to disband when the task is finally completed. In addition, these organizational forms can accommodate the sufficient informality and flexibility required for a mixed funding and income strategy that primarily relies on membership or donations from both public and private actors or from crowdfunding. Changemakers has since moved on to other projects and is no longer working on the PB projects.

#### *New venture-based strategy*

A new venture-based 4P strategy is based on the creation of a coalition, and it is articulated through intermittent coordination, which occurs when the strategies and actions of two or more organizations are mutually adjusted to accomplish an objective. Vienna Austria has been striving to become a world leader in smart cities initiatives. In speaking with Dominic Weiss and Lukas Stockinger of Vienna's smart city agency, we were presented with a volume containing more

than 100 active smart cities projects in the city. One of those projects, Solar Citizen, particularly caught our attention as it illustrates meso city-level urban venturing. The Citizen Solar Power Plant is a collaborative project from Wien Energy and the city of Vienna. In a form of crowdfunding, Citizen Solar enables local residents to micro-invest in local renewable energy. Citizens can invest as little as 475 euros to own a half of one solar panel or they can invest 950 euros to own one or more panels.

As observed from the Citizen Solar initiative, the purpose of a coalition for city-based urban venturing is narrow in scope and all actions occur within the participant organizations themselves or involve the sequential or simultaneous activity of the participant organizations. Interaction occurs at both low and middle levels, meaning that relationships are established between individuals and small to middle organizational units. Commitment is bounded and usually short-term, and formal contractual obligations are specific to the purpose of the coalition which may disband after the task is completed or the problem is solved. The Citizen Solar Power Plant aims to support the city's goal of obtaining 50% of its energy from renewable sources by 2030 while engaging local residents as co-owners of the project. We would consider this to be a corporate urban venture because it has been facilitated by a business model initiated by the local energy company, Wien Energy. Once the 50% goal is accomplished, it is expected that Wien Energy and the city of Vienna will either dissolve the coalition or renew their commitment by coming to terms on a new, bounded contract aimed at further increasing the percentage of renewable energy in the city or solving a new city-level challenge.

### *Platform-based strategy*

The 4P platform-based strategy is based on the creation of a broad, semi-permanent alliance. It emerges through regular coordination, which occurs when multiple organizations agree to engage in a limited activity in order to achieve a specific purpose or purposes through a formal arrangement. Unlike city-level venturing, platform urban entrepreneurship involves multi-actor endeavors that tackle urban issues that can be found in multiple cities at the same time and provide a fertile ground for other micro and meso-level civic entrepreneurs to operate and flourish. The notion of platform strategizing specifically entails focusing on improving a particular urban circumstance in multiple spaces simultaneously by facilitating an operating field. Membership in this arrangement is defined strictly and is limited so that there is stable coordination. Resource exchange is more extensive than in the first two arrangements, but the risk is minimal. Activities are usually organized in a network structure through collaborative partnership, which takes on broad tasks that reach beyond the collective actions of independently operating entities. Collaborative partnerships can take on a number of features that are more commonly associated with formalized agencies.

Kansas City has been gaining significant attention for its support of open innovation and digital inclusion, in part due to its selection as the first city in North America to receive Google Fiber which brings high speed bandwidth throughout the city. A Kansas City-based startup, Neighbor.ly was amongst the first completely dedicated civic crowdfunding platforms in the world. We spoke with Jase Wilson, the CEO and co-founder of Neighbor.ly early in our research and followed up with him later to understand more about his vision, approach and business model. Jase obtained his master's at MIT in City Design and Development. A self-described

“tech geek through and through” his thesis was on civic engagement through the web. Neighbor.ly was started in 2012 as a for-profit corporation with “money out of our back pockets with love and barbecue sauce from Kansas City, Missouri.” Neighbor.ly was accepted into a civic venture accelerator called Points of Light along with nine other civic startups. Neighbor.ly received funding from the Knight Foundation and has primarily raised financing through the impact investment community.

In general, a network involves multiple nodes with multiple linkages between, for example, agencies, organizations and firms (Mandell and Steelman, 2003). In a network structure, there is a strong commitment to multi-organizational-level goals, and resource sharing is risky and extensive. Most platform-based strategies rely on the formation of action networks, which unlike informational or developmental networks, engage in collective action by formally adopting network-level courses of action and often delivering services.

While Neighbor.ly continues to support traditional crowdfunding for community projects, through the mentoring they received during the accelerator phase, Neighbor.ly began to pivot its business model to also target corporate social responsibility budgets in order to obtain matching funds for community projects on their crowdfunding platform. Neighbor.ly’s goal is to leverage unique financing mechanisms beyond taxing and borrowing for cities to, as Jase Wilson emphasizes, “help thousands of communities fund tens of thousands of civic projects by raising millions and creating hundreds of jobs.”

Networks have a long, even indefinite life span because the problems they address are either long term or become redefined as the network evolves. Multi-city networks allow for the continuous emergence of venture-based coalitions. In Table 3, we provide a summarized view of the cases.

--- Insert Table 3 about here ---

## **Discussion**

The historic business paradigm is under stress. Entrepreneurs no longer identify markets as the single, most important playing field for their actions, nor profit maximization as the exclusive or even primary objective of business activity. New ventures, corporations, public institutions and civil society recognize the need to transition from carbon intensive economic activity to incorporating the true costs of social and environmental externalities into a new type of business modeling. With this, actors are starting to acknowledge that such a task cannot be achieved through single agency, but rather through collaborative, innovative and place-sensitive action that creates solutions partially within and partially outside formal structures. The latter corresponds with the introduction of a new breed of social entrepreneur, that we have labeled urban entrepreneur.

As Nigel Jacob, Co-Founder of New Urban Mechanics indicated: “Social entrepreneurs have been proud of doing what they do without respect to government. (Some of them) realized that they need a mechanism for engaging with government (...) they are actively trying to work with government to take on a civic issue-and see a role for government involvement.” These are urban entrepreneurs that emerge as the driving force behind the surge of city innovation. In the complex and growing cities of our rapidly urbanizing world, these entrepreneurs, public actors, people and private enterprises are converging to address shared and complex challenges. As a result, cities, boroughs and neighborhoods are evolving into new public areas. Urban entrepreneurship focuses on building healthy urban environments and improving the well-being

of local citizens through the collective development of social and territorially embedded new businesses.

City-oriented solutions and business models created by these entrepreneurs emerge as a response to perceived gaps between public, private and individual actors in the form of collaborative initiatives. Urban entrepreneurs operate in a complex system as embedded agents seeking to affect well-being within specific geographical and social environments. This new phenomenon is not only expanding the frontiers of socially-oriented entrepreneurial action but also challenging the current business logic that dominates the corporate world.

### **Looking ahead: implications for research and practice**

All indications suggest that the collaborative economy is here to stay with more than 80 million individuals in the U.S. alone participating in the collaborative economy. The growth in this economy has been driven by societal factors like environmental and community sustainability concerns, economic factors such as a weakened global economy and technology factors such as the rapid penetration of smart phones, social networks and payment systems (Owyang et al. 2013). The growth of the collaborative economy is most obvious in urban settings. While not all collaborative economy initiatives fall within our delineation of urban, socially-oriented entrepreneurship, there is a sizable overlap between the two concepts as we illustrated above. This overlap and the 4P interactions occurring in the context of urban entrepreneurship (Figure 1) help to shed light on the imperative for engaging in collaborative partnerships with all key stakeholders in order to improve long-term sustainability of these business models. Below we articulate implications for entrepreneurs and managers entering this arena.



### *Implications for strategy development*

Strategic models published and used over the past 50 years are based on traditional views of competitive advantage derived from ownership and control of proprietary resources. Yet, the emergence of urban venturing and collaborative, open innovation has caused executives, entrepreneurs and scholars to question the relative value of strategic management models in an era of perpetual reasoning, organizational hybridization and grassroots innovation. Indeed, some of the observed cases do not even operate within a formal, established market, as such they tend not to follow the same set of rules that define competition.

Because urban entrepreneurs aspire to improve the quality of life in cities by addressing market and public good failures, their business models often require citizen engagement and open innovation. As such, the success of these urban ventures depend more on their ability to successfully engage and collaborate with other actors and entities rather than on an ability to develop their own closely controlled intellectual property. Indeed, “None of the traditional strategy models take much notice of the potential value of external resources that are not owned by the firm in question, but may nonetheless create value for the firm. These external resources, such as volunteer contributions, innovation communities and ecosystems, and surrounding networks represent growing sources of value creation.” (Chesbrough and Appleyard, 2007:60)

Despite the fact that entrepreneurship is in essence a socioeconomic activity propelled by business logic and embedded in a particular culture and territory, this array of intertwined concepts has so far been neglected by managers, policy-makers and mainstream entrepreneurs. Grassroots innovation and emerging alliances between entrepreneurs and public and private sector actors, which seek to improve the quality of life in urban areas, are expanding the frontiers of entrepreneurship and businesses in general. The underlying logic propelling urban

entrepreneurship action seems intractable and invites a rethinking of the way business-as-usual individuals act, react and interact in the face of rapidly-changing urban needs, gaps and demands.

### *Implications for the practice of neighborhood urban entrepreneurship*

Local residents are increasingly seeking to be part of the solution to local challenges in their neighborhood. Rather than just complain to local authorities, they are instead taking it upon themselves to improve local living conditions. Crowdfunding initiatives focusing on cities, for example, have been a powerful tool for self-financing local projects from local community gardens and parks to tactical urbanism and pop-up projects like a one-day water slide in Bristol, U.K. created by a local artist and funded via Citziinvestor's civic crowdfunding platform. Neighborhood urban entrepreneurs need to rally local community support for their projects and leverage crowdfunding when possible to finance these initiatives. Given the nature, most urban neighborhood projects will not evolve into a formal urban enterprise, disbanding after the initial goal has been accomplished. This calls for a serious rethinking of our understanding of entrepreneurship as a career option as well as of the policies promoting entrepreneurial action, because the process can be deliberately planned as a transitory effort, even more so than we think it could be.

It is possible in some instances, however, to convert a one-off local neighborhood project into a city-based urban venture or even a platform urban venture. This was the case for Adam Dell in Austin, Texas. His backyard was under-utilized and was interested in finding a way to collaborate with a local gardener who did not have access to his/her own yard. So he used Craigslist to post an ad which stated: "I'll provide the land, water and materials if you'll provide the work. We can share the produce 50-50." (Pasternack, 2010). It turned out there was demand

for this idea so he created a platform called Shared Earth, originally focusing on Austin, Texas, and eventually scaling globally to serve as an intermediary between people with land and gardeners in search of a future garden. In March of 2014, Shared Earth was acquired by Sustainable America for an undisclosed amount. This story shows that it is possible on occasion to experiment with a one-off project at the neighborhood level and eventually develop a platform-based urban venture.

### *Implications for the practice of city-based urban entrepreneurship*

The example we used from Vienna illustrated that not all urban ventures are started by early-stage entrepreneurs. Corporations can engage with profit-oriented ventures at the city level. This could actually provide an interesting avenue for corporations to prove community impact in a profitable way as a complement to corporate social responsibility (CSR), which is primarily considered a cost center for most corporations. Yet, independent urban entrepreneurs are quite active in this category of city-based entrepreneurship.

Energy co-ops are prime examples of city/region based urban entrepreneurial activities, which form part of the collaborative economy. *Energy co-ops* are organizations formed by individuals in a community to pool their funds for the generation and consumption of renewable energy resources. Brighton Energy Cooperative was founded in 2010 after receiving 18,000 pounds (about \$29,000 USD) from eight local investors. Today Brighton Energy Cooperative owns more than 500kw of solar photovoltaic (PV) panels in Brighton, UK. Brighton Energy Cooperative has been aided by local policy incentives in the form of feed-in-tariffs (FITs) which provide guaranteed rates per kilowatt hour for renewable energy generation and tax breaks for investment in the initiative. Co-ops provide a unique business model for city based urban

ventures in that local citizens become co-owners of the enterprise in a deeper form of collaboration with users. One of the first, and largest carsharing organizations in North America, Modo, based in Vancouver, Canada is also a co-op. City-based urban entrepreneurs need to find innovative ways to engage the local community in the venture including considering the co-op business model, and also through the formation of alliances with local non-profits and local governments. This is consistent with a recently published research project exploring 12 different business models for shared mobility operators across ridesharing, carsharing and bikesharing segments which confirmed that the longevity of these business models is related to the extent with which the operators (or urban entrepreneurs) cooperate with local governments (Cohen and Kietzmann, 2014).

#### *Implications for the practice of platform urban entrepreneurship*

Uber and Airbnb are two major players emerging on the global scene in recent years who have experienced significant challenges from local government authorities and industry incumbents. We believe, and other recent research has confirmed, that business models focused on improving civic life and resource sharing are often contingent on collaborations with local municipalities (Cohen and Kietzmann, 2014). The Uber and Airbnb examples suggest that collaborative and on-demand economy firms who have a significant focus on urban environments may need to rethink their market entry and growth strategies. While the powerful use of ICTs and social networks supports an infinitely scalable business model and potentially multi-billion dollar valuations, collaborative economy executives presiding over highly urban markets may need to think of themselves more like a franchise business, city by city, as opposed to a traditional dot com which could be operated from virtually anywhere. Yelp, the ubiquitous

location-based, social network for finding and rating local businesses, learned this lesson early on. While based in San Francisco, Yelp has established a network of locally-based community managers in major cities to help engage with the local business and user community.

Even Airbnb has recently begun a new campaign to improve their connectivity to local governments and users and to deflect some of the criticisms of their business model. In March of 2014, Airbnb launched its first “Shared City” initiative in Portland, Oregon. Under this new model, Airbnb is collaborating with the city of Portland to support the collection of taxes on behalf of Airbnb hosts, entering into a matching donations program for local causes and collaborating with the local tourism agency to promote local businesses. This new Shared City initiative was based on input gathered by Airbnb from hosts and users at meet-ups in different cities served by Airbnb. Although perhaps a little late, it appears Airbnb founders have begun to understand that to ensure long-term success, Airbnb must embrace local government, local business, hosts and renters (i.e. a 4P model). As Brian Chesky, Airbnb co-founder, indicates: "I really, really want to have a great relationship with cities. The last thing I want to be is in an antagonistic place with them. We want to enrich the cities and neighborhoods we serve."

### *Implications for local government authorities*

Throughout this research, the role of the local government in facilitating, or encumbering urban ventures was pervasive. As we discussed earlier, several cities have taken a proactive stance to encourage, facilitate and accelerate urban ventures. The New Urban Mechanics office in Boston, which expanded to Philadelphia is an iconic example. Nigel Jacob, one of the founders of New Urban Mechanics told us that one distinguishing feature of urban entrepreneurs, compared with traditional social entrepreneurs, is that urban entrepreneurs seek to collaborate

with local government, instead of replace local government, which is a common mentality within the social venture sphere. We agree with this assessment, and therefore believe local governments are instrumental in facilitating urban ventures at all three levels. While some neighborhood projects are one-off projects requiring minimal government involvement, such as the water slide project, others, such as creating a local park needs local government support, even if it is not going to finance the project. In fact, Neighbor.ly requires local government support before it allows its platform to be used by neighborhood-based urban entrepreneurs.

At the city-venture scale, local government can become primary customers of urban ventures, or provide other resources, such as access to city infrastructure. Financial incentives can also be used to either subsidize services like bikesharing, which may not be fully profitable on their own, or to support startup costs for things like co-work spaces or energy co-ops. At the platform level, civic entrepreneurs frequently collaborate with cities, one at a time, to facilitate projects. For example, Citymart, based in Barcelona and Copenhagen, has developed a platform for connecting technology providers with cities needing innovation solutions. A recent offering from Citymart involves collaborating with city government to identify specific challenges or problems and then posting the challenge on the Citymart platform. Instead of including detailed specification of the required solution, Citymart enables their city partners to solicit innovative proposals in what is referred to as procurement for innovation or civic crowdsourcing (Cohen and Amoros, 2015).

## *Conclusion*

Urban entrepreneurship relies on a new conceptualization of collaboration. In fact, at the heart of a successful urban venture business model is a collaboration between local public and private institutions and local residents, which challenges dominant approaches to supporting business development. The assumptions upon which public, private and civic spheres relate with each other are under stress, in particular the ones that see the government as an outsider whose role is to simply facilitate an adequate environment for investing and trading. This emergent phenomenon calls for a new understanding and perhaps a new culture of collaboration.

Urban entrepreneurship is continuously evolving. Increasingly, new actors get involved, affecting even more the intractable logic of the models articulated by these entrepreneurs. In researching how this phenomenon progresses, we have witnessed that other actors are willing to play in the urban entrepreneurship arena. As a result, we foresee an increasing complexity, which will challenge firms, entrepreneurs and public officials alike, redefining prevailing business logic and reshaping the environment in which they operate. Regardless of future actor involvement, it is clear that urban entrepreneurs acting at the neighborhood, city and global scale are having a profound impact on the quality of life in cities and challenging existing paradigms regarding collaboration and local economic activity.

A better understanding of how urban entrepreneurs ignite collaboration between normally disconnected worlds, and breakthrough innovation in cities can help managers navigate through these waves of change and eventually learn from fluid and agnostic business models that are propelling a new way of doing business.

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## Tables and Figures

**Table 1. Observed cases**

Case	Location	Description
<b>Ventures</b>		
Airbnb	San Francisco, USA	Airbnb is an online platform that allows its members to rent out lodging. It runs on a marketplace platform model where it connects hosts and travelers and enables transactions without owning any rooms itself. It disrupts traditional industries by creating new sources of supply and relying on users' recommendations for developing quality.
Citizen Solar	Vienna, Austria	Citizen Solar is a smart city initiative that seeks to boost Vienna's clear commitment to developing solar energy. By investing in community-funded solar power plants, Viennese citizens have the opportunity to participate in the development of renewable energies. Citizens' Solar Power Plants mark the beginning of the dawn of a solar energy future for Vienna.
Elemental	Santiago, Chile	Elemental is an architecture do-tank that focuses on innovation and design in projects of public interest and social impact. It works towards the development of complex initiatives that require coordination of public and private actors alongside participatory processes for decision-making.
Modo	Vancouver, Canada	Modo is a not-for-profit carsharing co-operative incorporated in 1997 to foster carsharing and raise awareness about the benefits of sharing cars over individual ownership. By turning car owners into carsharers, Modu offers an environmental and economic mode of transportation.
Points of Light	Atlanta, USA	Points of Light is the world's largest organization dedicated to volunteer service. It mobilizes people to take action on the causes they care about through innovative programs, events and campaigns. It is creating a culture of volunteerism, one that celebrates the power of service.
Uber	San Francisco, USA (+200 cities)	Uber is a technology company focused on connecting riders to drivers through mobile applications. It makes cities more accessible, opening up more possibilities for riders and more business for drivers.
Ytech Innovation Centre	Amsterdam, Netherlands	Ytech Innovation Centre works on sustainable mobility. Together with the City of Amsterdam and a group of companies it is introducing an individual public transport system that is installing 750 white public bikes at around 45 depositories across the city.
<b>City-oriented initiatives</b>		
Changemakers	Manchester, UK	Changemakers is a community-led organization whose members take action on social, economic, political and environmental city-related issues. It was built by local people for local people – and for the common good of Manchester, Bradford and Stockton.
Brighton Energy Coop	Brighton, UK	BEC is a community-led organization that is pushing renewable energy on the South Coast of the UK. Funded by members, it owns more than £700,000's-worth of community-funded solar PV in the area. Members receive energy, a 5% return on their investment as well as a 30% tax break on the

		amount invested.
Playing Out	Bristol, UK	Playing Out is a Community Interest Company working to encourage and support people who want children to play out in the places where they live. It exists to support and inspire parents and residents across the UK to help children play out.
Vertical Harvest	Jackson Hole, USA	Vertical Harvest is a Wyoming based agri-business that seeks to enhance the local economy by operating year round to sell fresh, locally grown produce to the community through multiple venues at a competitive, consistent price.
<b>Platforms and city accelerators</b>		
Chiripa.org	Buenos Aires, Argentina	Chiripa seeks to build collaboration bridges between cities in Latin America by improving transparency and governance systems. It supports local governments and organizations by means of fostering governance processes, environmental practices, civic participation and grassroots innovation.
CityCamp	Buenos Aires, Argentina / Santiago, Chile	Citycamp is a city-oriented innovation platform, which has built an open and multi-disciplinary dialogue on the future of cities. It connects ideas and projects that aim to create collaborative Latin American cities.
Citymart	Barcelona, Spain / Copenhagen, Denmark (+50 cities)	Citymart helps cities deliver impact by strengthening their innovation capacity and sharing inspiring solutions and methods to transform their communities. It enables cities to identify, evaluate, and adopt game-changing solutions, which contribute to the creation of more sustainable, resilient, entrepreneurial and responsive communities.
Citizeninvestor	Bristol, UK	Citizeninvestor is a crowdfunding and civic engagement platform for local government projects. It empowers citizens to invest in their community and create real change.
Code for America	San Francisco, USA	Code for America offers an open source technology that helps organize a network of people dedicated to making government services simple, effective, and easy to use. It encourages and empowers residents to take an active role in their community, facilitates collaboration between government staff and foster forward-thinking approaches to solving city problems, and supports civic-minded entrepreneurs and startups.
Neighbor.ly	Kansas City, USA	Neighbor.ly is the first civic crowdfunding platform in the US. Neighbor.ly believes everyone should be able to invest in municipal securities, so the company focuses on helping people donate to the civic projects they care about.
New Urban Mechanics	Boston and Philadelphia, USA	New Urban Mechanics is an approach to civic innovation focused on delivering transformative City services to residents. The Mayor's Offices of New Urban Mechanics in Boston and Philadelphia serve as each City's innovation incubator, building partnerships between internal agencies and outside entrepreneurs to pilot projects that address resident needs. It focuses on a broad range of areas from increasing civic participation, to improving City streets, to boosting educational outcomes.
Technology Quotient	Singapore, Singapore	Previously named Urban Intel, Technology Quotient leverages and develops new technology platforms to support smarter education solutions in Asian cities.
UrbanKit	San Francisco, USA	UrbanKit is a crowdfunding platform founded in 2012 to support civic crowdfunding projects. UrbanKit was incubated

Yelp	San Francisco, USA	<p>in Santiago, Chile using funds and support from Startup-Up Chile. UrbanKit is no longer active.</p> <p>Yelp is an online platform founded in 2004 that focuses on helping people find great local businesses. It uses automated software to recommend the most helpful and reliable reviews for the Yelp community among the millions we get. The software looks at dozens of different signals, including various measures of quality, reliability, and activity on Yelp.</p>
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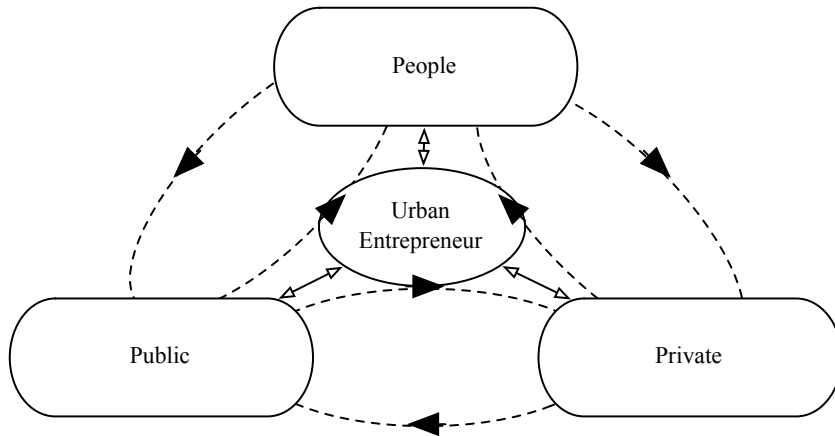
**Table 2. A typology of urban entrepreneurship strategies**

Action / place	Neighborhood	City	Multi-City
4P Strategy	Project-based strategy	New venture-based strategy	Platform-based strategy
Type of collaboration	Temporary task force – one off effort	Coalition - intermittent coordination	Alliance - regular coordination
Business Model	Emerging initiatives	Hybrid business modeling	Collaborative partnerships - Global movement
Growth strategy	Project Replication	Venture scaling-up	Network expansion
Primary funding strategy	Membership, donations or crowdfunding	Impact Investing	International - national agencies
Organizational form	NGO – community interest company	Hybrid organization	Network structure
Primary policy instrument	Neighborhood-oriented contests	Venture incubation or acceleration	Inter-agencies city innovation hubs

**Table 3. Summary - Illustrative Examples**

Urban Venture	Public	Private	People	Partnership
Participatory Budgeting Project (Neighborhood)	Old Trafford City Council Nesta	Changemakers, Church Action on Poverty, Old Trafford News	260 citizens who participated in PB exercise	Through Neighborhood Challenge, participants able to collaborate in the allocation of budgets to civic projects
Citizen Solar (City)	City of Vienna	Wien Energy	Citizen investors and energy consumers	4P collaboration to bring new renewable capacity to Vienna
Neighbor.ly (Platform)	Multiple local governments	Neighbor.ly, corporate CSR initiatives	Local citizen groups	Neighbor.ly requires local government authorization prior to posting a civic project on their platform

**Figure 1. 4P Interactions**



**Figure 2. Illustration of vertical and horizontal contexts in urban entrepreneurship**

