White Rose Research Online

eprints@whiterose.ac.uk
https://eprints.whiterose.ac.uk
Universities of Leeds, Sheffield and York

Deposited via The University of Leeds.

White Rose Research Online URL for this paper:
https://eprints.whiterose.ac.uk/id/eprint/163075/

Version: Accepted Version

Article:
Muñoz, P, Naudé, W, Williams, N et al. (2020) Reorienting entrepreneurial support infrastructure to tackle a social crisis: A rapid response. Journal of Business Venturing Insights, 14. e00181. ISSN: 2352-6734

https://doi.org/10.1016/j.jbvi.2020.e00181

© 2020, Elsevier. All rights reserved. This manuscript version is made available under the CC-BY-NC-ND 4.0 license http://creativecommons.org/licenses/by-nc-nd/4.0/.

Reuse
This article is distributed under the terms of the Creative Commons Attribution-NonCommercial-NoDerivs (CC BY-NC-ND) licence. This licence only allows you to download this work and share it with others as long as you credit the authors, but you can't change the article in any way or use it commercially. More information and the full terms of the licence here: https://creativecommons.org/licenses/

Takedown
If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.

UNIVERSITY OF LEEDS
University of Sheffield
UNIVERSITY of York

Journal of Business Venturing Insights

REORIENTING ENTREPRENEURSHIP POLICY TO TACKLE CHILE'S ECONOMIC AND SOCIAL CRISIS: A RAPID RESPONSE

--Manuscript Draft--

Manuscript Number:	
Article Type:	Rapid Response
Section/Category:	Atheoreical description
Keywords:	entrepreneurship; crisis; entrepreneurship policy; rapid response; Chile.
Corresponding Author:	Pablo Munoz University of Liverpool Liverpool, United Kingdom
First Author:	Pablo Munoz
Order of Authors:	Pablo Munoz
	Wim Naudé
	Nick Williams
	Trenton Williams
	Rodrigo Frias
Abstract:	Chile is experiencing its worst economic and social crisis in decades, which is adversely impacting entrepreneurs and SMEs. Chile's Economic Development Agency is seeking to support recovery efforts by reorienting its entrepreneurship programs and ecosystem support capacity. What makes the reorientation especially challenging is the need to ensure all actions are sensitive to the causes of the social unrest, where arguably extant entrepreneurship policy has played a role.Theory and evidence in entrepreneurship literature seem insufficient to inform immediate actions. In this rapid response paper, we leverage and translate research on ecosystem democracy, spontaneous venturing and entrepreneurship-led social cohesion to inform decision-making and contribute to the development of policy solutions. We propose an entrepreneurship policy reorientation model, including policy directives and possible interventions, potentially capable of minimizing the effects of the crisis and changing the orientation of future support.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

REORIENTING ENTREPRENEURIAL SUPPORT INFRASTRUCTURE TO TACKLE A SOCIAL CRISIS: A RAPID RESPONSE

PABLO MUÑOZ
Professor of Entrepreneurship
University of Liverpool Management School
Liverpool, United Kingdom
pmunoz@liverpool.ac.uk
&
Universidad del Desarrollo
Santiago, Chile

WIM NAUDÉ
Professor in Development Economics and Entrepreneurship
Maastricht School of Management UNU-MERIT
Maastricht, The Netherlands
naude@merit.unu.edu
&
RWTH Aachen University
Germany
&
IZA Institute of Labor Economics
Bonn, Germany.

NICK WILLIAMS
Professor of Entrepreneurship
University of Leeds Business School
Leeds, United Kingdom
N.E.Williams@leeds.ac.uk

TRENTON WILLIAMS
Assistant Professor of Management and Entrepreneurship
Kelley School of Business, Indiana University
Bloomington, USA
trenwill@iu.edu

RODRIGO FRIAS
Director of Early Investment
Entrepreneurship Division
Corfo, Chile
rodrigo.frias@corfo.cl

Journal of Business Venturing Insights
Entrepreneurship Rapid Response Research

Manuscript Click here to view linked References

REORIENTING ENTREPRENEURSHIP POLICY TO TACKLE CHILE'S ECONOMIC AND SOCIAL CRISIS: A RAPID RESPONSE

Abstract

Chile is experiencing its worst economic and social crisis in decades, which is adversely impacting entrepreneurs and SMEs. Chile's Economic Development Agency is seeking to support recovery efforts by reorienting its entrepreneurship programs and ecosystem support capacity. What makes the reorientation especially challenging is the need to ensure all actions are sensitive to the causes of the social unrest, where arguably extant entrepreneurship policy has played a role. Theory and evidence in entrepreneurship literature seem insufficient to inform immediate actions. In this rapid response paper, we leverage and translate research on ecosystem democracy, spontaneous venturing and entrepreneurship-led social cohesion to inform decision-making and contribute to the development of policy solutions. We propose an entrepreneurship policy reorientation model, including policy directives and possible interventions, potentially capable of minimizing the effects of the crisis and changing the orientation of future support.

Keywords: entrepreneurship, crisis, entrepreneurship policy, rapid response, Chile.

1 Research context and problems requiring rapid response

Chile is experiencing its worst crisis in decades. On 18th of October 2019 a rise in public transport fares triggered country-wide protests, which is the worst civil unrest in the country in the last four decades. While seemingly surprising, the crisis has been decades in the making (Pribble, 2019). Specifically, the crisis is the consequence of a series of reforms unfolding since 1900s, which resulted in rising costs of living, income inequality and over-privatization of social services. The fast-growing market economy of the 1990s and 2000s had become a market society of pay-for-it-yourself pensions, health care and education. With stagnating family incomes, inadequate pensions, healthcare and education, historically high levels of inequality had become glaringly painful.

The 2019 protests threw the Chilean economy into crisis. The Peso plummeted, becoming one of the worst-performing emerging market currencies (Mander, 2019). Prospects for employment

and self-employment in now-barricaded cities rapidly deteriorated. The impact on micro/SMEs and entrepreneurship has been enormous. During the first 50 days of mass protests, over 15,000 micro/SMEs were directly damaged (Infobae 2019). Specifically, they experienced a dramatic loss in revenue as most of them have had to remain closed to avoid violence, protests and riots. In addition, 9,200 micro/SMEs reported damages to their physical infrastructure; 6,800 experienced looting or arson damage; and 10,000 shops and roadside vendors were robbed. To date, only 18% of Chile's micro/SMEs were not *directly* affected by the social unrest. The result of the crisis is that an estimated 100,000 micro/SMEs could eventually face closure, which would likely cause the additional unemployment of over 300,000 more people (Hausold, 2019). To make matters even worse, micro-SMEs face additional uncertainty due to impending constitutional reforms, which, along with macro-environmental changes, will likely have a profound impact on pensions, health care and education systems (Mander, 2019).

In response to the crisis, the Chilean government launched a US$16.5MM rescue package, which included flexible loans and subsidies with the objective of facilitating an economic reconstruction. However, the loan package is very limited in direct impact, as the average amount allocated for each of the affected micro-SMEs is only US$9,000. To counteract the deficiencies in the relief package, CORFO - Chile's Economic Development Agency - is meant to play a key role in the recovery process. CORFO is the largest agency supporting entrepreneurship in the country and is the primary financing engine behind Start-Up Chile, the first seed accelerator founded by a public agency. CORFO also runs a number of programs and initiatives, including tax relief for R&D activities, promotion of Venture Capital (VC) investment portfolios, subsidies for ecosystem support services, prototyping, and direct funding for new ventures throughout their lifecycle.

Historically, it has also played an important role in times of crisis, supporting small businesses after natural disasters.

In December 2019 CORFO launched "Arriba tu Pyme" (SME Raising), a public-private platform initiative aimed at connecting crisis-affected SMEs with support, including funding, expert advice, or online sales channel access. While these efforts are valuable, they are not taking advantage of CORFO's annual budget of US$30MM for entrepreneurship support. CORFO's entrepreneurship division and the Department of Economy are considering a policy re-orientation as a possible response to the unfolding crisis. Alongside providing seed funding for entrepreneurs directly, an important part of this fund is allocated to the entrepreneurial support industry, i.e. incubators, accelerators, mentor networks and alike. The ecosystem support industry is highly subsidized and there is room to reorient policy and steer Chile's entrepreneurial ecosystem in pursuit of a faster recovery from the crisis. In practical terms, this means 1. using the entrepreneurial support industry to tackle the effects of economic downturn (e.g. raising unemployment, failure of small businesses, etc.) in a way that is sensitive to the causes of the social unrest: inequality and privatization, and 2. redirecting entrepreneurial activities to facilitate a speedy recovery (social, economic and infrastructure). As a result of these dual objectives, there is a hidden tension here, as future decisions and solutions might require revisiting what is it considered productive in entrepreneurship (e.g., Welter et al. 2016; Lucas and Fuller, 2017).

To further complicate the challenge facing Chilean SME's, the emergence of the novel COVID-19 virus and associated pandemic adds *even more* uncertainty, as small businesses around the world are going bankrupt at unprecedent rates. This comes as a shock for those who had begun to recover in Chile, and most likely a knockout for those who were already in the verge of failure. Chilean entrepreneurs and SMEs are hurting badly and CORFO's hopes for recovery seem

untenable. This is aggravated by the fact that CORFO's support fund is likely to be revised as the pandemic crisis continues to unfold. While the crisis of 2019 and COVID-19 are creating a "perfect storm" of disruption for Chilean entrepreneurs, it also creates opportunities to rethink entrepreneurship policy in the face of crisis, and the dawn of a new normal that helps to "build back better" than before.

Despite numerous advancements in recent scholarship at the intersection of entrepreneurship and crisis, current entrepreneurship literature appears to be insufficiently organized and consolidated to inform immediate actions facing these specific circumstances and demands. In this Rapid Response, we aim to provide evidence and insights to contribute to decision-making and the development of policy solutions. We do so by leveraging research on ecosystem democracy, spontaneous venturing and entrepreneurship and social cohesion. These emerging streams of research stem from studies looking at entrepreneurship in post-conflict countries in Africa, the Middle East and Latin America (Brück et al., 2013), in post-crisis Greece and the Balkans (Williams and Vorley, 2015; 2017), venturing in the aftermath of Hurricane Katrina (Grube and Storr, 2018), bottom-up responses after Australia's wildfires and Haiti's earthquake (Williams and Shepherd, 2016a; 2016b; 2018), and reflections on the failure of Europe's entrepreneurship policy after the 2009 financial crisis and facing the ongoing situation with refugees (Naudé, 2016; Desai et al., 2020). We translate findings and theorizing to the Chilean context, reflect on their practical implications and propose a model for policy reorientation, including considerations and potential interventions.

2 Research evidence and insights on crisis and entrepreneurship: three perspectives

2.1 Ecosystem democracy

Chile is a model of an "elite democracy", characterized by a government that "*privatizes public enterprises, enlarges the opportunities for overseas investors to* control national resources, and at the same time imposes controls over wages, union organization and strikes" (Petras and Leiva, 2018). Entrepreneurship is central in Chile's current crisis, yet elite democracies tend to have a depressing impact on entrepreneurship due to rises in income inequality (e.g. Akcigit and Ates, 2019; Decker et al., 2017). While moderate levels of income inequality can provide, over the short-term, incentives for entrepreneurship (Ragoubi and El Harbi, 2019), higher levels can depress entrepreneurship, in particular when accompanied by reductions in social mobility (Méndez-Errico, 2017).

When an economy is characterized by high inequality, only a small share of entrepreneurs can obtain financing for entrepreneurial ventures, which facilitates a vicious cycle of inequality and repression of entrepreneurship *more broadly*, inhibiting the potential impact of entrepreneurship as an economic engine. If access to capital matters for opportunity-based, high-growth ventures, then the small proportion of entrepreneurs at the top of the income distribution will be able to access disproportionate resources (Lippmann et al., 2005). Most other entrepreneurs will be unable to access resources resulting in a proliferation of low-growth, low-impact firms. As a result, income inequality continues to rise. This is because, on average, lifetime earnings from entrepreneurship are lower than in wage employment so that with more people entering self-employment, income inequality increases as the lower bottom of the income distribution expands due to more survivalist entrepreneurs (Åstebro et al., 2011).

Social unrest and uncertainty can slow down growth and investment and negatively change the incentives for the allocation of entrepreneurial talent. Instead of engaging in productive enterprise, talented entrepreneurs may opt to engage in activities that will be harmful to society and economic development, including crime, violence, and corruption (Murphy et al., 1991). The consequence may be that entrepreneurial behavior may keep a country such as Chile trapped in a low-growth equilibrium trap (Mehlum et al., 2003).

One pernicious symptom of such a low-income growth trap in the presence of highly vulnerable and temporary jobs on the one hand and high and entrepreneurially restrictive inequality on the other is rising crime and violence. Such corruption and violence can become endemic even in a country with low poverty rates. In Latin America "the common stereotype that poverty is the primary cause of violence has been challenged, with Latin American evidence showing that inequality and exclusion, associated with unequal distribution of economic, political, and social resources in urban contexts, intersect with poverty to precipitate violence" (Moser and Mcilwaine, 2006:90). For Chile, while poverty is declining, and the country is deemed to have reached high-income status, the upwardly spiraling violence is a cause of concern.

Empirical evidence suggests that Chile has indeed become less entrepreneurial and that the country is not very innovative, consistent with the above explanations. Chile must move towards a new social contract: one wherein elite democracy makes place for participative democracy, which for entrepreneurship entails *Democratizing the Entrepreneurial Ecosystem*. In essence, Chile democratized its political system in 1990, but not its entrepreneurial ecosystem. The crisis of 2019 is a signal that the time has arrived to do this. What Chile needs now, even more than short term support and solidarity for affected SMEs, is to break the negative hold of elitism on its entrepreneurship and innovativeness.

To nurture ecosystem democracy in times of crisis, governments should not directly target particular firms or sectors, but rather focus on spatially located agglomerations of economic activity, in a decentralized manner (GCF, 2017). For this to be ultimately sustainable, both financially and socially, they need to be not direct, top-down tools for entrepreneurship promotion, but "complex adaptive systems" that emerge from the "uncoordinated, semi-autonomous actions of individual agents" (Roundy et al., 2018:3). The decentralization of Chile's entrepreneurial ecosystems is central to its democratization, and the emergence of spontaneous and responsive venturing. A second requirement for democratization involves *cultural values*. Today, the cultural values of Chile's entrepreneurial ecosystems - anchored in the past - and the values of the new democratic era are at odds. This involves lack of inclusiveness, acceptance of high levels of inequality, short-term focus on resource exploitation, and the absence of efforts to build a resilient and diversified entrepreneurial ecosystems, which are now proving unprepared for the shock of 2019 (civil strife) and the shock of 2020 (COVID-19 pandemic).

Decentralizing entrepreneurial ecosystems and updating their cultural values facilitate a joint understanding that a vital function of an ecosystem is to help entrepreneurs invest and believe in the future, despite the inherent risks and uncertainty. Even in the face of social unrest and pandemics. This in turn leads to a shared recognition that the provision of basic social security – unemployment insurance, social welfare grants, access to education and other public services – are particularly important for the vast majority of entrepreneurs. Rolling back privatization and extending social security coverage to higher levels encourage entrepreneurship, particularly amongst those excluded in the past – and build social cohesion.

2.2 The spontaneous emergence of responsive venturing

Crises are incredibly disruptive to society. While seemingly extreme, crises are becoming increasingly common and provide challenges to everyday life. Traditionally, many scholars and policy makers have sought to understand how *institutions* can respond to and manage crises. Yet, bureaucratic organizations are often unable to effectively respond to needs on the ground (Marcum et al. 2012). Consistent with the research established in the previous section, institutions vary in their effectiveness in supporting *general* efforts for entrepreneurial emergence. This is true in post-crisis venturing as well, where ventures pursue limited resources in either stable (e.g., Australia) or highly disrupted (e.g., Haiti) macroeconomic contexts. However, despite the differences in institutional nesting, "bottom-up" entrepreneurial venturing can still provide productive benefits for victims of crises (Shepherd and Williams, 2019; Williams and Shepherd, 2016a, 2016b).

Recently, entrepreneurship scholars have begun to document if/how *victim* actors can be a resource in solving problems in the midst of a crisis (Williams et al., 2017; Shepherd and Williams, 2018). This scholarship builds on the disaster response literature in recognizing that local, enterprising actors are *best positioned* to understand the needs in the impacted area and mobilize a customized response (Williams and Shepherd, 2018). Given these observations, it would appear to be critical for actors outside of the impacted areas in Chile to consider the following.

First, it is important to acknowledge the limitations of traditional organizations and institutional actors when considering an appropriate response. Post-disaster contexts can catch communities and organizations off guard as the environment becomes "loosely connected, broken down in bits and pieces … and organization structure [can] become fragmented and erratic" (Lanzara, 1983:76). Therefore, attempts to "control" the environment and decision-making within the context will be limited. Indeed, the command-and-control approach to crisis management has

been widely criticized (Quarantelli and Dynes 1977; Tierney 2012) as it promotes rigidity and inflexibility where flexibility and improvisation are critically needed for an effective response (Shepherd and Williams 2014). Given the magnitude of disasters; command-and-control organizations struggle to coordinate across diverse actor groups, e.g. medical professionals, emergency responders, and government officials (Waugh and Streib 2006) and face substantial challenges in identifying, organizing, and deploying various stakeholders (Drabek and McEntire 2003; Lanzara 1983).

Second, local individuals who are impacted by the crisis will be the most capable of generating innovative solutions that *directly* address needs on the ground. In fact, crises often reveal local, network-based resources that were perhaps under-utilized during periods of calm. Major crises often trigger an explosion of meaning as individuals seek to make sense of the "new normal" and try to "build back better" (Roux- Dufort 2007; Turner 1976). The extensive literature on disasters has shown that emergent organizations (e.g., spontaneous ventures) *always* emerge after a crisis to help address critical needs, when a "community feels it is necessary to respond to or resolve their crisis situation" (Drabek and McEntire 2003: 99). Given that emergent organizations can and will arrive to make a difference following the crisis, it is imperative that institutional actors (and outside donors) find ways to support and enable these organizations who are on the ground. Indeed, the tendency can be to do the opposite—to try and "tamp down" locally-organized efforts that are not coordinated by a centralized body.

Finally, emergent organizations will take part in altering, creating, and re-configuring community actors. That is, disasters may disrupt the constitution of existing communities, but they also shape the emergence of new collections of individuals who share a new interest—surviving and thriving together despite the crisis. Emergent organizations are characterized by their ability

to draw together multiple and diverse community actors for a shared purpose (Christianson et al., 2009; Majchrzak et al., 2007); introduce symbolic actions, trust, and coordination within a community; ease physical, psychological, and financial suffering; and offer both flexible and customized solutions despite the dynamic and uncertain post-disaster environment (Christianson et al., 2009; Drabek and McEntire 2003; Majchrzak et al., 2007; Shepherd and Williams, 2014).

As individuals, organizations, and other stakeholders emerge to solve problems together, we should expect both short and long-term organizational solutions to emerge. For example, some may launch community-based ventures to address urgent needs, whereas others may emerge after several months when secondary needs appear (e.g., psychological counseling). As with any form of organizing, crisis-based organizing can change motivations. It is critical that actors involved in post-crisis organizing be honest in this process by continually assessing if/how they are doing good. As more money pours in from within and outside of Chile, there is an increasing likelihood for waste and/or misuse of funds. In summary, doing good is not always easy, as the "needs" evolve over time and the ability to define and execute "helpful" activities shifts as well.

2.3 Entrepreneurship-enabled social cohesion

Countries experiencing crisis must balance short-term and long-term considerations, so that over time the economy can become more resilient and thus better able to withstand shocks. Policy making which supports entrepreneurship during a crisis is not easy. The first rule in such situations should be 'do no harm'. That is to say that policy makers should avoid any actions which limit entrepreneurial activity and its potential contribution to economic and social development. This means, for example, avoiding adding further unnecessary bureaucratic burdens on business as well as avoiding damaging tax increases. Often this is not easy advice for policy makers to take. For

example, post-crisis Greece was (and still is) in a fiscally parlous state and, under pressure to generate revenue from its EU bailout benefactors, increased taxes on business sectors (Williams and Vorley, 2015). If such decisions are made which ultimately stymie entrepreneurship, for example through tax increases making some sectors less competitive, then long term recovery will be damaged (Williams and Vorley, 2017).

At the same time as following the 'do no harm' principle, policy makers must also seek ways to enable economies to become more diverse. Greater diversity in the economic base can lessen the impact of a crisis (Williams and Vorley, 2017). Measures which seek to reduce unemployment, for example through loans and subsidies to entrepreneurs and small businesses during the crisis, must not simply consolidate the positions of dominant businesses, but must seek to encourage competition and diversity. In this way, economies can become more resilient over time. As certain sectors or supply chains may be vulnerable to a crisis (depending on its nature) others can withstand it better.

Diversity can also enhance social cohesion by bringing a broader range of knowledge together. Social cohesion acts to bind society's assets together, and where there is trust, human and financial capital will be put to productive use. This is a challenge in the context of Chile, given the levels of inequality which has meant that social strata do not mix (Davies, 2019). Such division undermines the social cohesion which has important implications for resilience, as more homogenous and cohesive societies enjoy higher levels of economic development (Huggins and Thompson, 2017). Entrepreneurial activity in the midst of crisis can make important contributions to social cohesion. As research on the aftermath of Hurricane Katrina shows (Grube and Storr, 2018) entrepreneurs can perform important community recovery roles.

Chile is aiming to respond positively to the crisis, with the Economic Development Agency (CORFO) seeking new ways of supporting the entrepreneurial infrastructure and moving away from previously inefficient investment strategies. To do so, CORFO must consider the social cohesion element of entrepreneurship. In Chile's case, support can be given to entrepreneurs who fill community roles, for example by contributing to employment programs or by linking businesses in urban centers to rural areas where inequalities are most stark. This requires revisiting what is considered productive in entrepreneurship. Fast-growing, innovative entrepreneurship is important, but in post-crisis places productive entrepreneurship can be that which assists social cohesion. It also requires re-thinking about the 'places' in which entrepreneurship is supported. The ecosystem support industry is highly subsidized; however, this has mainly benefitted those within the capital of Santiago, with the benefits not spreading more widely. Supporting entrepreneurship in peripheral places can generate returns that enhance social cohesion. Over time, entrepreneurial activity which contributes to social cohesion can have lasting impacts, improving people's access to opportunities that they were previously excluded from and improving knowledge flows between different social strata.

3 Policy reorientation in times of crisis

Chile is facing an economic and social crisis. While the causes of crises are better understood (Doern et al., 2018), resolving how economies can bounce back from a crisis and what policy makers can do in the midst of a crisis still require research (Williams and Vorley, 2017). As with other crisis-hit economies, the answers facing Chile are not simple, and contain a number of difficult trade-offs. Crises that have been decades in the making, such as in Chile (Pribble, 2019), are not simple to resolve.

Restoring law and order and macroeconomic stability are normally seen as key priorities. However, policy makers can find ways to support entrepreneurship and, through it, tackle the social crisis. As seen in the three perspectives presented, policy makers must balance short term with long term considerations, as well as the many levels in which action and transformation can take place. In the short term, Chile is exploring ways to support its entrepreneurs so that risks of closure and the resultant unemployment associated with it can be minimized. Yet, in the long term the entrepreneurship support infrastructure should work together to lessen the likelihood of future crises and their severity. There is unfortunately no single, magic bullet for entrepreneurship policy making. Rather, complex trade-offs need to be made which ensure that the entrepreneurial fabric of an economy is not damaged further, which in turn will enable the problem-solving capacity of entrepreneurs during and post-crisis.

Our collective view is that exploring the interaction between ecosystem democracy, emergent responsive venturing and social cohesion can shed light on ways forward. Governments have the opportunity to engage in a reorientation cycle (Figure 1) and decisive interventions (Table 1) to respond to crises and overcome difficulties, both in during and post-crisis stages, whilst transitioning to a new policy approach. In times of crisis, governments can reorient entrepreneurship policy in a way that enables participation, emergent responsiveness, cohesion and resilience within and across decentralized entrepreneurial ecosystems.

---Insert Figure 1 and Table 1 about here---

A first consideration involves an examination of whether, how and to what extent entrepreneurship policies are part of the problem. Also, a recognition that crises might uncover the deficiencies in entrepreneurship policymaking, which might call into question what entrepreneurship is useful for, and why it requires support. This opens an opportunity for policy-making to open up spaces for

dialogue and establishing value-driven ecosystems (Robinson and Mazzucato, 2019), which allow for improving responsiveness and inclusiveness, reducing inequalities and fostering resilience.

A second consideration entails moving away from elite entrepreneurship and focusing on widening participation and reducing inequalities. In doing so, entrepreneurship policy can open pathways for uncoordinated, semi-autonomous actions of individual agents and spaces for responsive venturing to emerge. This, by means of decentralized programs and encouragement of diversified place-based economic activity. If emergent organizations are embraced and adequately nurtured, spontaneous responsive venturing can naturally take care of urgent and secondary needs, enabling new forms of economic activity. These are more likely to be embedded in and with the capacity of changing local communities (i.e. reconfiguring actors and practices), in a way that they can collectively respond to the crisis. In doing so, responsive venturing in conjunction with ecosystem actors, can enable social cohesion at the local level, restoring human and financial capital and potentially trust.

We argue that if and when social cohesion takes center stage, policy can further leverage its outcomes (i.e. recovery role of responsive ventures and economic diversity) to visualize resilience pathways and, in turn, strengthen the renewed participatory nature of a revamped entrepreneurial ecosystem. This cycle - ecosystem democracy, emergent responsive venturing and social cohesion - is potentially capable of minimizing the effects of the current crisis and changing the orientation of future support in a way that encourages bottom-up innovation whilst moving entrepreneurship away from the set of causes leading to expanding inequality.

4 References

Bartlett, J. 2019. Chile's Protesters Have Won a Path to a New Constitution. *Foreign Policy*. Available at: https://foreignpolicy.com/2019/11/15/chile-protests-constitution-politics-latin-america/

Brück, T., Naudé, W. Verwimp, P. 2013. Business under Fire: Entrepreneurship and Violent Conflict in Developing Countries, *Journal of Conflict Resolution*, 57, 3-19

Bullough, A., Renko, M., Myatt, T., 2014. Danger zone entrepreneurs: The importance of resilience and self-efficacy for entrepreneurial intentions. *Entrepreneurship: Theory and Practice, 38*(3), 473-499.

Christianson, M.K. et al., 2019. Learning through rare events: Significant interruptions at the Baltimore & Ohio Railroad Museum. *Organization Science*. 20, 5, 846-860

Davis, R. 2019. *Extreme economies: Survival, failure, future, Lessons from the world's limits*. Bantam Press, London.

Desai, S., Naudé, W., Stel, N. 2020. Refugee Entrepreneurship: Context and Directions for Future Research, *Small Business Economics*, 2020, March, https://doi.org/10.1007/s11187-019-00310-1

Doern, R., Williams, N., Vorley, T. 2018. Special issue on entrepreneurship and crises: business as usual? An introduction and review of the literature. *Entrepreneurship and Regional Development,* 31(5/6), 400-412.

Drabek, T.E., McEntire, D.A., 2003. Emergent phenomena and the sociology of disaster: lessons, trends and opportunities from the research literature. *Disaster Prevention Management*, 12, 97–112.

Grube, L.E., Storr, V.H. 2018. Embedded Entrepreneurs and Post-Disaster Community Recovery. *Entrepreneurship and Regional Development,* 30(1), 7–8.

Hausold, A. 2019. Chile: political and social crisis impacts tourism. Tourism Review. Available at: https://www.tourism-review.com/crisis-in-chile-impacts-tourism-news11301

Huggins, R., Thompson, P. 2017. Entrepreneurship, culture and resilience: The determinants of local development in uncertain times. In Williams & Vorley (eds) Creating resilient economies: Entrepreneurship, growth and development in uncertain times. Edward Elgar, Cheltenham, UK.

Infobae 2019. Estallido en Chile afecta a unas 15.000 pequeñas y medianas empresas, según el gobierno. Available at: https://www.infobae.com/america/agencias/2019/12/06/estallido-en-chile-afecta-a-unas-15000-pequenas-y-medianas-empresas-segun-el-gobierno/

Jadresic, E. 2019. The roots of Chile's social discontent. *Financial Times.* *https://www.ft.com/content/45dc28b8-9247-4d4b-8fcc-e90691d1a1d6*

Lanzara, G.F. 1983. Ephemeral organizations in extreme environments: Emergence, strategy, extinction. Journal of Management Studies, 20(1), 71–95.

Londoño, E. 2019. What You Need to Know About the Unrest in Chile. The New York Times. Available at: https://www.nytimes.com/2019/10/21/world/americas/why-chile-protests.html

Lucas, D.S., Fuller, C.S., 2017. Entrepreneurship_ Productive, unproductive, and destructive—Relative to what? *Journal of Business Venturing Insights*, 7, 45–49.

Majchrzak, A., Jarvenpaa, S. L., Hollingshead, A.B. 2007. Coordinating expertise among emergent groups responding to disasters. *Organization Science*. 18, 147–161.

Mander, B. 2020. Investors weigh Chile's prospects as months of protests hit growth. *Financial Times.* Available at: https://www.ft.com/content/0f3b2ed4-1ade-11ea-97df-cc63de1d73f4

Marcum, C.S., Bevc, C.A., Butts, C.T. 2012. Mechanisms of control in emergent interorganizational networks. *Policy Studies Journal: The Journal of the Policy Studies*. 40, 516–546.

Moed, J. 2018. Start-Up Chile's Impact 2010-2018: Inside The Revolutionary Startup Accelerator. Forbes. https://www.forbes.com/sites/jonathanmoed/2018/11/19/start-up-chiles-impact-2010-2018-inside-the-revolutionary-startup-accelerator/#412e71706dc5

Naudé, W. 2016. *Is European Entrepreneurship in Crisis?* IZA Discussion Papers, No. 9817, Institute for the Study of Labor (IZA), Bonn.

Pribble, J. 2019. Chile's crisis was decades in the making. *Financial Times*. Available at: https://www.ft.com/content/81801886-f650-11e9-bbe1-4db3476c5ff0

Quarantelli, E. L. 1986. Research Findings on Organizational Behavior in Disasters and Their Applicability in Developing Countries. Newark, DE: University of Delaware Disaster Research Center.

Robinson, D.K.R., Mazzucato, M., 2019. The evolution of mission-oriented policies: Exploring changing market creating policies in the US and European space sector. Research Policy, 48(4), 936–948.

Roux- Dufort, C. 2007. Is Crisis Management (Only) a Management of Exceptions?. *Journal of Contingencies and Crisis Management*. 15, 105-114.

Sehnbruch, K. 2019. How Pinochet's economic model led to the current crisis engulfing Chile. The Guardian. Available at: https://www.theguardian.com/world/2019/oct/30/pinochet-economic-model-current-crisis-chile

Shepherd, D.A., Williams, T.A. 2018. *Spontaneous venturing: An entrepreneurial approach to alleviating suffering in the aftermath of a disaster.* MIT Press.

Storr, Haeffele-Balch, S., Grube, L.E. 2014. *Community revival in the wake of disaster: Lessons in local entrepreneurship.* Palgrave MacMillan, London.

Tierney, K. 2012. Disaster Governance: Social, Political, and Economic Dimensions. *Annual Review of Environment and Resources*. 37 (1), 341–363.

Turner, B.A. 1976. Organizational and interorganizational development of disasters. *Administrative Science Quarterly*. 21, 378–397.

TVN 2019. Reportajes 24: La crisis de las pymes ante el estallido social. Available at: https://www.24horas.cl/reportajes24/reportajes-24-la-crisis-de-las-pymes-ante-el-estallido-social-3738012

Watson, K. 2019. Chile crisis: Fearlessness and anger drive protesters. *BBC News*. Available at: https://www.bbc.co.uk/news/world-latin-america-50151323

Waugh, W.L., Streib, G. 2006. Collaboration and leadership for effective emergency management. *Public Administration Review*, 66, 131–40.

Welter, F., Baker, T., Audretsch, D.B., Gartner W.B. 2016. Everyday Entrepreneurship-A Call for Entrepreneurship Research to Embrace Entrepreneurial Diversity. *Entrepreneurship: Theory and Practice*, 41(3), 311–321.

Williams, N., Vorley, T. 2015. The impact of institutional change on entrepreneurship in a crisis-hit economy: The case of Greece. *Entrepreneurship and Regional Development*, 27 (1/2), 28-49

Williams, N., Vorley, T. (Eds.) 2017. *Creating resilient economies: Entrepreneurship, growth and development in uncertain times*. Edward Elgar, Cheltenham, UK.

Williams, T.A., Shepherd, D.A., 2016a. Building Resilience or Providing Sustenance: Different Paths of Emergent Ventures in the Aftermath of the Haiti Earthquake. Academy of Management Journal, 59(6), 2069–2102.

Williams, T.A., Shepherd, D.A., 2016b. Victim entrepreneurs doing well by doing good: Venture creation and well-being in the aftermath of a resource shock. Journal of Business Venturing, 31(4), 365–387.

Williams, T.A. et al., 2017. Organizational Response to Adversity: Fusing Crisis Management and Resilience Research Streams. *The Academy of Management Annals*, 11(2), 733–769.

Williams, T.A., Shepherd, D.A., 2018. To the Rescue!? Brokering a Rapid, Scaled and Customized Compassionate Response to Suffering after Disaster. Journal of Management Studies, 55(6), 910–942.

5 Figure and Table

Figure 1. Entrepreneurship & recovery: A model for policy reorientation

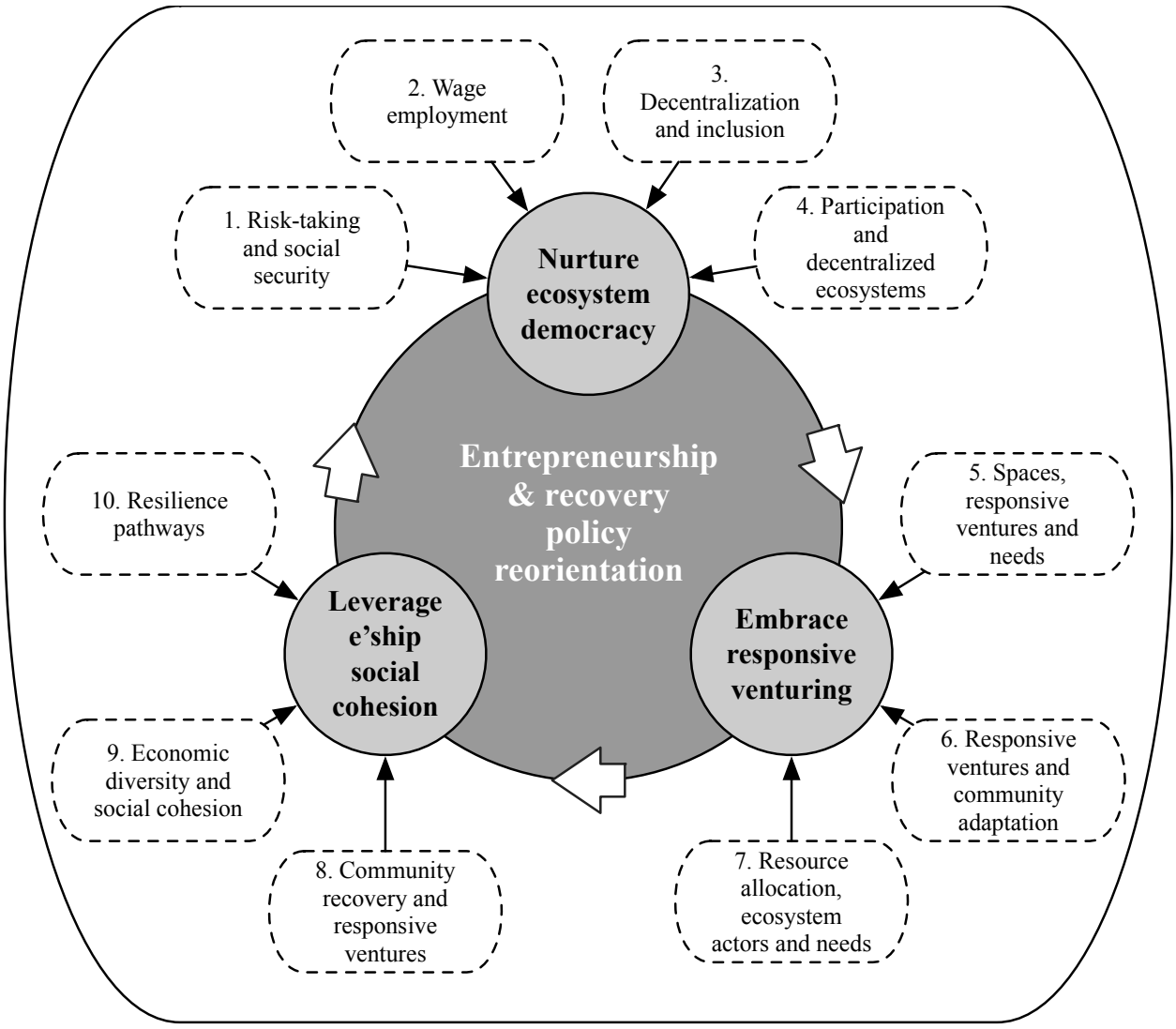

Table 1. Entrepreneurship & recovery: Policy focus, considerations and interventions

Focus	During crisis / short term	Post-crisis / long term
Ecosystem democracy	Support entrepreneurial risk-taking through an encompassing and reliable social security system within entrepreneurial ecosystems	Develop an unemployment insurance mechanism for SMEs to prevent massive layoffs in the future when a new crisis arises
	Prioritize quality wage employment within entrepreneurial ecosystems	Establish a minimum wage or salary range within support programs and subsidies for ecosystem actors
	Identify new territories needing resources, tools and coordinated support with other entities, so that it facilitates and accelerates the emergence of entrepreneurial communities	Reduce emphasis on 'elite' entrepreneurship through decentralization and inclusion
	Expand quotas within current support programs aimed at increasing participation of new or existing ventures from peripheral regions	Encourage participation across decentralized ecosystems
	Strengthen bottom-up ecosystem roundtables, encouraging and valuing self-direction. Provide support by mean of flexible policy tools capable of matching purpose with local realities.	Provide long term support for roundtables and disseminate learning from ecosystems
Responsive venturing	Open spaces for emergence and coordination of diverse responsive ventures tackling urgent and secondary needs.	Embrace mission-oriented policy and promote long-term collaborations with responsive ventures focusing on the nature of recurring problems.
	Temporarily allow emerging responsive ventures to remain informal (when/if needed) throughout crisis and recovery.	Coordinate and identify needs across government agencies needing and supporting entrepreneurship, e.g. health, education, logistic.
	Encourage responsive ventures to create and re-configure community actors in the development of solutions; allocate resources to responsive ventures tackling urgent challenges	Develop greater ecosystem diversity through bottom-up ecosystem roundtables.
	Mobilize and coordinate complementary actions of diverse groups of entrepreneurs, capable of tackling different urgent and secondary needs	Create long-term links between groups to establish knowledge spill overs
Social cohesion	Deploy the existing infrastructure and resources (e.g. subsides, networking) to speed up the implementation of solutions generated by responsive ventures	Leverage long-term community recovery roles of responsive ventures
	Deploy agencies to capture emergent entrepreneurial activity and industries and examine their growth potential	Promote greater economic diversity and emerging social cohesion
	Deploy agencies to capture emergent entrepreneurial activity and industries and examine their potential as resilience mechanisms	Communicate successful strategies undertaken during crisis to create knowledge spillovers for other firms

Reorienting entrepreneurial support infrastructure to tackle a social crisis: a rapid response

Conflict of interest: None