**How Entrepreneurial Ecosystems Take Form:
Evidence from Social Impact Initiatives in Seattle**

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Research Summary

This research uses insights from field theory to explore the early moments of how entrepreneurial ecosystems form through everyday interactions. We examine the cultural-cognitive and material micro-dynamics of activities occurring in support of social impact entrepreneurs and businesses from 2000 to 2014 in the Seattle WA region using archival and interview data sources. The pattern of results about what actors do and how interactions change over time supports a two-period model of ecosystem formation where initial distributed and disparate activity undergoes a phase transition to coalesce into a more coordinated and integrated social order. The findings point to endogenous sources of structuring, including language and interaction, rather than exogenous sources such as government action or instrumental policy goals.

Managerial Summary

How do the ecosystems that support entrepreneurs form? Rather than being created through top-down actions of governments and other powerful actors, we argue that entrepreneurial ecosystems form through the everyday interactions of individuals striving to create shared meaning, resources and infrastructure needed to support their new ventures. This is especially true in ecosystems focused on creating social impact, which don't always offer the high returns expected in a market-based capitalistic system. Our study shows how the initial activities of distributed, disparate individuals and groups rather suddenly coalesce into more coordinated, integrated and durable patterns of social interaction, creating the methods, resources and legitimacy needed for an entrepreneurial ecosystem for social impact businesses to coexist with or change existing conventions of market-based capitalism.

INTRODUCTION

Research on strategic entrepreneurship regularly explores how the features and qualities of entrepreneurs interact with the contexts that foster their success (Moroz and Hindle, 2011; Ucbasaran, Westhead, and Wright, 2001; Wright and Marlow, 2012). One line of work on such entrepreneurial contexts are studies of entrepreneurial ecosystems. Scholars define these ecosystems as systems of co-located elements where a variety of actors, functions, and institutions interact to support the creation and growth of new ventures (Isenberg, 2010; Thomas, 2013). This broadly recognized view of entrepreneurial ecosystems challenges scholars to understand how these activity spaces take form, to interpret the nature of the interdependencies among ecosystem elements, and to identify what qualities and activities may distinguish more impactful and durable ecosystems from those that are less so (Mack and Mayer, 2016).

In this paper, we draw on the theoretical and methodological tools of field theory to build an understanding of the early moments of ecosystem formation by considering how shared meanings and durable activity patterns become structured over time. Our research asks how an entrepreneurial ecosystem for social impact business forms in the midst of an ongoing business and commercial context. We examine actors and activities concerned with social impact in the Seattle, WA metropolitan region over a 14-year period, tracking threads of activity and their intersection, the nature of actors and interactions, changes in language, and shifts in the overall texture of an entrepreneurial ecosystem space. We are especially attentive to research tools and methods that make it possible to notice such activities before they are well-formed and obvious. Making use of data from archives, social media, interviews and participant observation, we assess how the day to day interactions of actors doing things together is a key starting point. We

show how such interactions start to combine and concentrate, giving rise to conventions (Hughes, 1971; Becker, 1986). Conventions, in turn, organize social and economic initiatives in complex contexts and make it possible for what had been disparate, fragmented activities to have common focus and force. Our study reports on both successful and failed organizing efforts focused on social impact businesses and entrepreneurs in the Seattle area over the observation period.

The pattern of results about what actors do and how interactions change over time supports a two-period model of ecosystem formation where initial distributed and disparate activity undergoes a phase transition and coalesces into a more coordinated and integrated social order. In the first period, efforts to generate shared meanings through language and to create community establish cultural-cognitive and material foundations, respectively, that configure the early moments of the nascent ecosystem. The second period is marked by a phase transition where interactions become more frequent, formalized and densely connected. The language and identity of the ecosystem continue to develop but are sufficiently established to communicate ecosystem boundaries and membership to nonparticipants. More importantly, interactions and shared meanings which were relatively local and separate in the initial period become common and mutually reinforcing in this second period. This phase transition where interactions and meanings become more fully interlinked facilitates the sustained efforts to recognize and develop the ecosystem and garner the legitimacy a social impact entrepreneurial ecosystem needs to coexist with and even at times challenge existing conventions of market-based capitalism.

This study generates specific insights into the relational and temporal micro-dynamics of early moments of ecosystems. First, our research provides evidence for how entrepreneurial ecosystems form through endogenous, bottom-up, and time-patterned processes, a perspective

that stands in contrast to the common argument for ecosystem development that gives primacy to exogenous top-down factors, such as government action or policy goals and pays little attention to process. Second, our findings highlight the early, continuing impact of micro social interaction as a resource for and catalyst to ecosystem formation. Third, our two-period model focuses attention on ecosystem development over time and the importance of community- and capacity-building that consolidates such phase transitions. Finally, our setting offers a specific contribution to studies of social entrepreneurship and policy, with a detailed empirical study of the formative processes of an ecosystem that supports social impact business.

APPROACHES TO THE STUDY OF ENTREPRENEURIAL ECOSYSTEMS

Four main approaches to entrepreneurial ecosystem research influence our understanding of how they form. One approach builds from classic and recent studies of industry clusters (e.g. Baum and Haveman, 1997; Delgado, Porter, and Stern, 2010) to identify basic features and configurations that support successful ecosystems such as Silicon Valley and Route 128 (e.g., Kenney and von Burg, 1999). This literature finds ‘no recipe, but deep regularities’ that point to the importance of technical and managerial talent, the presence of capacity that supports diversity in the ecosystem, and the key role of institutional and network linkages within and across the ecosystem (Bresnahan, Gambardella, and Saxenian, 2001: 846). A second body of work focuses on the purposeful efforts of state actors to build and sustain ecosystems to promote entrepreneurial activity and to accelerate the role of entrepreneurial ventures in local, regional, and national economies (e.g., Autio *et al.*, 2014; Etzkowitz, 2008; Mason and Brown, 2014). A third approach highlights the animated and complex sets of relationships comprising entrepreneurial ecosystems and uses close comparative studies to distinguish how different sets of linkages matter (e.g., Mack and Mayer, 2016; Spigel, 2017). A fourth, emerging approach

theorizes ecosystems as complex organizational fields or structures where firms interact to co-create and appropriate value (e.g., Adner, 2017; Autio and Thomas, forthcoming; Thomas, 2013; Thomas and Autio, 2016).

These research approaches focus analysis on the structural elements comprising an ecosystem, the critical linkages among them, and how best to design and implement ecosystems. They share a top-down focus, with different degrees of authoritative action (by governments or powerful other actors), and they emphasize efficiency and value-creation potential. A few studies begin to specify processes and horizontal linkages, but this is less common across the approaches. Our review highlights the paucity of research addressing how entrepreneurial ecosystems form over time, particularly when top-down policy interventions or resource investments are weak or nonexistent. The literature provides few insights about which symbolic and material activities are involved in initial ecosystem formation, how those processes work, or how they develop.

Moreover, too little is known about the relational, cultural and contextual factors that help explain why some ecosystems develop in ways that support the discovery or creation of entrepreneurial opportunities (Alvarez and Barney, 2007) and their subsequent enactment (Wood and McKinley, 2010) while others do not. Although some have recognized the embeddedness of ecosystem activity within larger social contexts (e.g., Ahuja and Yayavaram, 2011; Peng *et al.*, 2009), few have investigated how the institutional context influences ecosystem formation. Finally, most empirical studies have focused on commercial business ventures linked to innovation and technology. Far less attention has been paid to studying ecosystems supporting actors with dual social and profit purposes (Battilana and Lee, 2014; Casanovas and Ventresca,

2016; Santos, Pache, and Birkholz, 2015) such as social impact entrepreneurs (Seelos and Mair, 2005) and social impact businesses (Kim, 2014; Thompson and Purdy, 2016)¹.

APPLYING FIELD THEORY TO ENTREPRENEURIAL ECOSYSTEMS FORMATION

Field theory offers a promising set of concepts and protocols to study how entrepreneurial ecosystems form (Thomas, 2013; Thomas and Autio, 2016). Entrepreneurial ecosystems are complex contexts for activity, characterized by resource interdependencies and diverse connections, second order consequences, and the potential to generate variety. They are in this sense relational social spaces where ‘disparate organizations [and individual actors] involve themselves with one another in an effort to develop collective understandings regarding matters that are consequential for organizational and field-level activities’ (Wooten and Hoffman, 2008: 138). Modern sociological institutionalism (e.g., DiMaggio and Powell, 1983; Scott, 1995; Hoffman 1999; Fligstein and McAdam, 2012) sees fields as comprised of two main elements: the material, which refers to the presence of a pattern of fairly durable, frequent interactions between a number of actors, and the cultural-cognitive, which refers to the presence of shared understanding among the interacting actors (Furnari, 2015).

The field theory approach extends and redirects insights from the incumbent literature on entrepreneurial ecosystems that emphasize the role of government actors and policy regimes and under-specify social process and conflict. Field theory proposes a focus on arenas of activity, with attention to struggles over rules and conventions, demarcated by linkages among actors (Hoffman and Ventresca, 2002; Scott *www.*, 2000; Fligstein and McAdam, 2012). Our approach

¹ The descriptors for ventures that pursue both commercial profit and social mission are varied and include social entrepreneur, social enterprise, hybrid organization, conscious capitalism, purpose corporation, and impact entrepreneur (Austin, Stevenson, and Wei-Skillern 2006; Battilana and Lee 2014; Casanovas and Ventresca 2016). We use *social impact business* to indicate for-profit enterprises with social missions and *social impact entrepreneurs* to describe actors. When we describe research findings from others or when we present data, however, we retain the original terms used by the source.

to understanding an ecosystem is informed by this field theory with its distinctive integration of work that highlights how patterns of interaction both define and are defined by shared (typified) systems of language and meaning (Berger and Luckmann, 1966), and work that considers activity as the outcome of the interplay of ongoing patterns of challenge or support for existing structures (Giddens, 1979; Barley and Tolbert, 1997).

We focus on the concept of conventions (Hughes, 1971; Biggart and Beamish, 2003) to provide an analytical way to understand how durable patterns of interaction and shared meanings constituting an ecosystem might take form. As regularized practices, conventions are the result of successful coordination among actors operating under conditions of uncertainty (Storper and Salais, 1997). Conventions offer a bridge between simple patterns of activities and the institutionalized systems that undergird durable patterns of interactions, collective rationality, and shared meanings. A conventions stance on ecosystem formation brings attention to what actors do to pursue their entrepreneurial goals, how they develop capacity to support their ventures, and how these activities might relate to the development of shared understandings and durable relationships that turn into regularized practices and conventions. The emphasis is on how people actually do things together (Becker, 1986; Biggart and Beamish, 2003; Ventresca and Kaghan, 2008) to create actionable conventions over time. From this perspective, ecosystems take form through daily, practical interactions and relationships among people and groups. The close study of these motives, means, and mechanisms can help us identify the specific trajectories and impacts of entrepreneurial ecosystems.

This focus on conventions also provides a standard way to account for the role that the institutional context plays in how an entrepreneurial ecosystem forms. The larger capitalist system within which a nascent ecosystem is embedded represents a particular institutional space,

configured by public actions and private actors contending to stabilize the rules of the game and particular conceptions of control (Fligstein and McAdam, 2012). Although capitalisms are plural, not singular (Adler, 2014; Hall and Soskice, 2011), most current research investigates entrepreneurial ecosystems located in a market-based capitalist system (Boltanski and Thevenot, 2006; Friedland and Alford, 1991).

Such a system operates with conventions built on shared meanings that prioritize monetary exchange, profit maximization, a short-term orientation, a transactional arms-length ethos, and venture growth. These conventions resonate in the standard and regularized practices of venture funding, venture governance form, and venture accountability that enforce strategies to maximize returns and minimize risk over short periods of time (Thompson and Purdy, 2016). Viewing market-based capitalism as an institutional architecture consisting of conventions exposes the factors that shape and complicate entrepreneurial ecosystem emergence, particularly for social impact entrepreneurs who struggle to access the best talent, have limited access to financial institutions, instruments, and resources, do not have enjoy many sources of unrestricted funding, and face inherent strategic rigidities (Austin, Stevenson, and Wei-Skillern, 2006: 12).

We bring this conventions-based, field theory approach to bear on the study of a nascent ecosystem meant to support social impact initiatives. One difficulty in studying the early moments of ecosystem formation is that the arrangements and activities of interest are fragile, tentative, unstable and potentially experimental in nature. Following other scholars who have noted that entrepreneurial activities tend to cluster in specific locations in particular ways (Kenney and von Burg, 1999; Spigel, 2017, we adopt a place-based regional approach. This allows us to bound our empirical inquiry into activities and interactions that are inclusive of efforts that have stalled or failed, as these also may shape the context for entrepreneurial activity.

Below we describe our research setting in the urban northwest U.S. and discuss our methods of data collection and analysis.

RESEARCH SETTING AND METHODS

The region around Seattle, WA is known for its vibrant civic culture favoring environmentalism, concern for the sustainable common good (Kling, 2008; Sanders, 2010), philanthropy (Guthrie, 2003; Hwang and Powell, 2009) and entrepreneurship (Adragna, 2011), making it a hospitable environment for entrepreneurial activity that is concerned with social impact. Seattle provides the regional context for our inquiry into the early moments of an entrepreneurial ecosystem supporting social impact businesses.

Studying nascent organizing activity presents both theoretical and practical challenges. Most research on ecosystems defines them empirically and *ex post*, assuming an existing social order, the presence of recognizable elements, and the operation of well-structured and established conventions that link the elements, all of which are bounded in ways that already specify the objects of study. Instead, we engage with an empirical site where efforts to develop such conventions and boundaries are initially dispersed, intermittent, and weakly organized (Dorado, 2005; Furnari, 2014). Identifying and tracking through time the building and ordering of conventions in this context requires collecting data across a range of activities and actors (people and organizations) that are distributed and thinly connected. To track the structuring of social interactions and shared understandings in a social space with initially under-marked edges, we employed an inclusive sampling strategy in the focus region.

We began collecting data in 2012 and continued through 2014, drawing from archival documents and electronic media sources including newspapers, websites and blogs, as well as semi-structured interviews. These efforts to understand the landscape for social impact business

and related entrepreneurial activity in the greater Seattle area yielded data spanning from early 2000 to 2014. The beginning temporal boundary of our observation period, 2000, was set by the earliest references to social impact initiatives that could be gleaned from archival and interview sources. The terminal temporal boundary, 2014, was determined by the research process: We continued to collect data until we reached a point of saturation (Glaser and Strauss, 1967) where additional interviews and documentation of events failed to add insight into the early moments of the ecosystem.

Data collection was organized around two tasks. The first task was to identify existing actors and activities. The second was to fill out the data record in retrospective fashion to ensure our dataset tracked the origins and changes of identified initiatives over time, including those completed or terminated in earlier periods. To get started, we first identified organizations and individuals broadly associated with social impact businesses. We tracked all new organizations that had registered with the State of Washington as Social Purpose Corporations (SPCs), a legal form of incorporation established by the state legislature in 2012 (Tozzi, 2012). We also tracked existing organizations in the Seattle area that had sought B Corporation certification, a voluntary designation created in 2007 by the non-profit B Labs (B Labs: Our History, n.d.).

Using sources such as public records, websites, news outlets, and blogs, we searched for and captured webpages, documents, and data on all organizations that had become certified as B Corporations in Washington State and were active in the greater Seattle area. We also conducted more general searches on the internet from sources such as websites, blogs, and other social networking sites using keywords including social enterprise, social entrepreneurship, social business, impact investing, conscious capitalism, B Corp/B Corporations, and SPC, focusing on content that related specifically to the Seattle area. Resulting in over 200 pages of documents,

articles and webpages, this initial data collection enabled us to develop a broad portrait of actors (individuals, groups and organizations) relevant to social impact business since the early 2000s in the greater Seattle region.

Through collecting these data, we become aware of and knowledgeable about relevant public events that served as anchor events (Garud, Gehman, and Giuliani, 2014) which coordinate activities of diverse actors. Members of our research team attended six events for and about social businesses in the greater Seattle area from 2012 to 2014. For each event, we took notes on who attended, issues raised, topics and debates, and action agendas, which resulted in approximately 20 pages of further documentation. Our attendance at these events helped us to observe relationships in situ, understand which actors were connected in various networks, and to identify individuals who could serve as expert informants.

The next challenge was to identify and document interactions, linkages and changes that reflect critical early moments activities and linkages. To do this, we conducted structured interviews, focusing initially on individuals we had identified at the public events. Because we were interested in the grounded, day to day activities of actors working together, we used snowball sampling (Babbie, 2001) where initial contacts helped us to identify other actors they knew to be engaged in social impact business, including those who had formed SPCs as well as those involved with other for-profit companies or nonprofit agencies that supported social impact businesses. We interviewed every individual who met the criteria of living or working in the region and was engaged in an activity that was connected to the creation or support of new social impact businesses.

Table 1 provides descriptive information about these 25 individuals in our database. We interviewed ten social impact business entrepreneurs, two of whom had founded multiple social

impact businesses and commercial businesses. We also interviewed fifteen other individuals involved in infrastructure and capacity-building for social impact businesses, including a regional representative of B Lab, attorneys working with social businesses, a founding partner of an impact philanthropy non-profit, impact investors, higher education administrators, individuals affiliated with a social enterprise facility, the founder of an accelerator focused on impact businesses, and volunteers attempting to create interest groups related to impact investing, SPCs, and social enterprise.

----- Insert Table 1 about here -----

Our structured interview protocol queried respondents about their past and present work as individuals and/or within their organizations, their interactions with other individuals and organizations, the conditions in the greater Seattle area for social impact businesses, and their views about social impact business in general. We interviewed several individuals more than once over a two-year period and in some cases interviewed more than one individual from the same organization. Interviews lasted from 45 minutes to two hours in length. The dataset of interview transcripts consists of approximately 200 pages that document motives and means for action.

DATA ANALYSIS AND FINDINGS

Our research question focuses on how entrepreneurial ecosystems form. Accordingly, we attended to activities, actors (individuals, groups, and organizations supporting impact business and entrepreneurs) and their interrelationships over time, both during the actual data collection period and for the longer observation period based on archival and retrospective data. We analyzed our interview and archival data using computer-based qualitative data analysis software (NVivo 10). In this section, we first present the results from a content analysis of the interview

transcripts, identifying four types of activities shaping the early ecosystem. We then report on a longitudinal analysis of the entire data set which produced evidence on fourteen discrete threads of organizing effort, each comprised of interactions and events occurring over time. We use the word threads to underscore that these are identifiable sets of activities and actors that occur at different points in the observation period and last for different lengths of time. Finally, we provide two different displays of the longitudinal data to understand the types of social interaction involved within and across the organizing threads of effort.

Content analysis: Identifying four areas of activity

The first stage of data analysis involved open coding of archival documents, meeting notes, and interview transcripts to understand what individuals were doing and how they were thinking about impact business. In this analysis, we identified a number of first-order concepts (Gioia, Corley, and Hamilton, 2013; Glaser and Strauss, 1967; Locke, 2001) that reflect how our subjects discussed their work. We searched for patterns in the first order concepts, developing second-order themes that group similar topics and activities. From our data, we found that informants reported on four distinct areas of activity: selecting language, creating community, developing legal infrastructure, and generating financial support. Three of these four areas (creating community, developing legal infrastructure and generating financial support) are focused on activities that can be described in terms of material actions, such as holding a meeting, establishing a space to work in, or drafting a document. The fourth category, selecting language, reports on discursive activities or verbal strategies for attaining meaning (Roundy, 2016), for example, identifying what words should be used to describe a business with a social mission. Table 2 provides quotes that illustrate each of the four content areas.

----- Insert Table 2 here -----

Longitudinal analysis: Identifying threads of organizing effort

Next, we attended to the longitudinal nature of our data, paying particular attention to statements about how individuals began their efforts in this space, who they were working with and what they had done. This temporal view allowed us to identify first order codes that describe fourteen distinct organizing threads of effort, for example, the activities and interactions related to creating a social network or group, working to change legislation, developing and running an event, and establishing an organization or business. Using the interview transcripts, archival documents and our observational data, we constructed a unified longitudinal, narrative account for each thread. Wherever possible, we triangulated from multiple sources of data to confirm the identities of actors and the dates of events and activities. These longitudinal narratives provide a rich description of who was working together when, what they were focused on doing, the nature of their work together, how their activities were connected to other activities and efforts, and what informants thought about their efforts.

We searched for patterns among these narrative threads and using spreadsheets, we linked them to the three areas of material activity identified in the content analysis². Figure 1 summarizes our data structure, identifying the fourteen threads of organizing effort and connecting them to the three material activity content areas. As Figure 1 indicates, eight of the threads involved creating community, two involved developing legal infrastructure and four involved generating financial support.

----- Insert Figure 1 here -----

Breaking down the threads of organizing activity

² The discursive activity in the fourth content area, ‘selecting language,’ is present across all threads and is not portrayed separately in Figure 1.

We continued to analyze the compiled narrative threads, breaking each down into a series of specific, discrete organizing activities and events. Although similar to process tracing (c.f., Beach and Pederson, 2013), this effort is not focused on explaining how the independent variables as processes caused an outcome within a case (where each thread is a case); rather it is focused on creating a minimally sufficient description of what people were doing together over time. Our search for patterns in these activities and events led to a theme which describes the nature of the interaction or event and its level of social organization. We observed eight different kinds of interactions or events. These in turn show evidence of activity and conventions at four increasingly ordered and formalized levels of social organization. The first level, *dyadic*, reflects two kinds of interactions or events: (1) the entry of a new actor into a narrative and (2) the establishment of personal connections between two individual actors. The second level reflects *group* interactions and includes: (3) in-person meetings among groups of individuals focused on a specific/particular project and (4) the formation of and activity among online interest groups using social media platforms such as Meet-Up, Facebook, or LinkedIn that resulted in in-person meetings such as happy hours and information sessions. The third level reflects interactions at the *organizational* level and includes: (5) the occurrence of formal events such as business plan competitions and (6) the founding of formal organizations. The fourth set of interactions occurs at the *inter-organizational* level and includes: (7) the establishment of laws and (8) the creation of alliances among formal organizations.

To facilitate the display of data, we coded the events and activities in each narrative, using information on dates to place them into a timeline. The resulting longitudinal spreadsheet contains detailed information on each activity over time, including a verbal description of the event or activity, the quarter and year of the activity, the identity of the specific individuals,

groups and organizations involved in the activity, the nature of the interaction or event recorded in the activity (one of the eight categories above), and the level of social organization involved in the activity (one of the four categories above that ranged from dyadic to inter-organizational).

Because we were interested in understanding the duration of these activities, after an activity first occurred, we used evidence from our narrative to either mark that activity as continuing into the next period or ceasing (e.g., when a group stopped meeting or when an organization went out of business.)

Displaying organizing effort over time

Transforming the data from the compiled narrative threads into a single longitudinal timeline enabled us to develop two complementary views of organizing effort. Figure 2 provides a cumulative count of social interactions using the simplified code describing level of social organization (dyadic to inter-organizational) from 2000 to 2014. Increases in the frequency of interaction and in the levels of social organization depicted in Figure 2 suggest a shift in the nature of the interactions occurring around the latter half of 2010 into early 2011. In Period I, interactions from 2000 to mid-2010 were relatively infrequent and primarily occurring at the dyadic level. Mid-2010 to mid-2011 marks the beginning of a second period of development where activity became more frequent and more formalized, occurring at higher levels of social organization. In Period II, both dyadic interactions and group interactions increase sharply. By 2012 through 2014, against a backdrop of relatively high levels of dyadic and group interactions, organizational and inter-organizational interactions began appearing.

-----Insert Figure 2 here-----

A second depiction of our data focuses on the individual threads of activity from 2000 to 2014. Our first analysis focuses on how each thread developed over time (whether and how

activities and interactions within a thread became formalized, in other words, intra-thread development) and our second attends to whether and how the individuals, groups and organizations from different threads interacted (the density of inter-thread activity).

Figure 3 offers a comprehensive view of intra-thread development. Organized by each thread's main activity content area, Figure 3 plots each activity's trajectory over time, translating the eight codes of types of interactions into graphical representations. Below, we discuss intra-thread development, organizing our discussion according to the three formative areas of activity, creating community, developing legal infrastructure, and generating financial support.

-----Insert Figure 3 about here-----

Formative activity 1: Creating community

Threads 1 through 8, which relate to creating community, show sustained activity occurring from 2000 to 2014, with activity intensifying after 2010. This represents a pattern of social organizing that progressed from informal electronic and face-to-face meetings in the earlier years of our study period, to information sharing and more concerted efforts to bring the wider entrepreneurial community together in the later years. Threads 1 through 8 involve gathering or convening people with similar interests, engaging in events, and creating physical proximity. Concurrent and overlapping efforts to bring together individuals interested in social impact businesses are seen in Threads 1 through 6, all of which involved the use of social media. By 2013 and 2014, some of these threads had solidified into regularly occurring interactions and formal organizations, whereas others died off.

Threads 7 and 8 focused on generating physical proximity. For example, physical proximity was cited as a key motivator behind the founding of the Seattle Impact Hub (Thread 8), an event and co-working space organization, because 'the types of folks it attracts are the

right ones for the ecosystem.’ Informants noted that proximity creates opportunities for unplanned meetings and activity, for example:

One of the favorite taglines we have for describing HUB Seattle at its best is a place where serendipitous collisions happen, and those are what we call HUB moments. We love when we see the person that came here to meet with someone and runs into four other people in the hallway, and you know, by the time they are out of here, they leave with a kind of new spark.

Proximity was also a key motivating purpose for Thread 7, namely the co-location of Impact Hub Seattle, Bainbridge Graduate Institute and Social Venture Partners. This effort involved locating and securing a renovated historic building in Seattle’s oldest neighborhood, which physically brought together a co-working organization dedicated to social impact entrepreneurs, a socially conscious MBA program, and an impact philanthropy organization. This co-location was described as a pivotal event, with informants describing how it enabled them to discover shared interests and mobilize resources that helped them advance their collectively held goals of supporting social impact businesses well beyond their original expectations.

Formative activity 2: Developing legal infrastructure

Figure 3 also shows activity related to the organizing effort in the area of law occurring mostly after 2011. The first, Thread 9, is related to developing and backing legislation that supports social impact businesses and the second, Thread 10, is related to establishing firms and legal expertise for advising social impact businesses. Thread 9 traces efforts to pass legislation for a new legal form. Already active in the Seattle through efforts to attract companies to certify as B Corporations, B Lab presented proposed legislation to the State Legislature in 2011. This legislation was modified through an advisory process involving the Washington State Bar Association and culminated in the passage of the SPC legislation in mid-2012. A second later effort focused on establishing an equity crowd funding law (Heaton, 2014). Hoping to attract

needed resources through equity crowdfunding, lawyers specializing in start-ups as well as social impact business entrepreneurs developed, supported, and testified in front of the Washington State Legislature in support of House Bill 2023, which passed in 2014.

Prior to the passage of Washington State SPC law in July 2012, the corporate forms available to social entrepreneurs were limited to for-profit or nonprofit forms. Lawyers had to craft unique solutions to solve their client's desires to ensure continuity of their organization's purpose to both create social good and profits over time. For example, one lawyer discussed the 'fragmentation of legal practices,' the need to develop 'patches' and 'one-off solutions' via contract law and shareholder agreements and even the need sometimes to 'shoe horn' a client into becoming a nonprofit. Despite describing practice in this area as 'fragmented,' another lawyer stated that the 'framework for advice is becoming clearer' with the passage of the SPC law. Archival data on the registering agents listed by the Washington Secretary of State on SPC incorporations reveals the existence of a small but growing group of lawyers who advise social impact entrepreneurs in Seattle. Of the 43 companies registered since the law was enacted in 2012 until June 2014, sixteen listed a lawyer or law firm as the registering agent, and of those sixteen, more than half came from two legal firms (six from one and three from another).

The implications of these new laws and their effects on the demand for new kinds of advice and services were clear to those we interviewed. One lawyer well-known for his expertise and practice in the Seattle high-tech arena explains:

The thing is that lawyers tend to follow what their clients are doing. I have formed a bunch of these things. I know quite a bit about them. Whether I continue to do a lot of them will depend on whether I have been called to do them.

In addition to lawyers adding SPCs to their practice areas, new specialist firms were being established. For example, Thread 10 illustrates how two firms focused exclusively on providing

legal advice to social impact businesses were founded in late 2010 and early 2011. One actor's motivation for entering this area of practice revolved around the newness of the area:

I did really well in law school, but what I quickly found was that experience matters in the business world a lot and so this was also really appealing to me because now, from day one, I could be in at the ground floor for something legally and provide my analysis and there'd be no one else in the state that could say they'd been at it longer than me.

The availability of a legal form specifically for social impact business, an additional method of attracting resources (crowdfunding) and the development of specialized expertise suggests increasing recognition of social impact business as a distinct area in the institution of law from more conventional, for-profit business.

Formative activity 3: Generating financial support

The third realm of activity described in Figure 3 relates to providing direct financial support for social impact businesses. The activities in Threads 11 through 14 occur primarily after 2011.

Thread 11 refers to an effort to provide a collaborative and all-encompassing set of services for social impact entrepreneurs. Thread 12 represents an effort to convene high net worth individuals (accredited investors) that formalized into a group that makes investments but also aspired to educate and catalyze impact investment. Thread 13 refers to efforts to develop a business plan competition focused on supporting social innovation. Thread 14 shows the development of Fledge, an accelerator for social impact businesses.

While the capital market for tech entrepreneurs is robust and relatively well developed in Seattle, our subjects described the availability of capital for social impact business start-up as small and hard to access. As one actor said,

And on a conscious company side, the only difference I've seen in the challenges of starting those and the challenges of doing a tech company is that the market for capital is just 10,000 times smaller. And I don't know if it's the right number of zeros, it might be 100 or 100,000 times smaller. It's way smaller. So, you go out

there and you try, you know, to sell a product and you get some traction and you find some investors that appreciate the mission you are doing.

With the exception of one entrepreneur who had founded his firm in 2007 and fit more obviously into the clean tech sector, none of the other entrepreneurs we interviewed had attracted money from established seed funding sources or venture capitalists. Even the clean tech entrepreneur who succeeded in attracting conventional funding noted that it was difficult to locate and attract the attention of impact investors and that it was important to ‘travel in the right networks.’ The effort to found a consulting group to advise and help impact businesses (Thread 11) foundered due to the inability of social impact business startups to pay for such services, in part because these organizations struggled to attract funding.

Several actors described the socially conscious finance and investment community as being in a very informal stage of organization with only a relatively small number of individual investors in it. The likelihood of lower returns for an equal or greater amount of risk made it particularly difficult for social impact entrepreneurs to find seed money and growth stage money through channels already established for Seattle’s high tech, clean tech or bio tech communities.

As one informant stated,

That seems like that's the problem because we have no examples of a successful investment that has less than amazing multiples. We're still trapped in this ‘it is either a proper, traditional investment or it's philanthropic.’ And I want to see a success where we return capital and everyone is really happy we did it.

Figure 3 shows considerable effort devoted towards developing financial and business resources for social enterprise businesses. Although not all efforts were successful, several of the activity threads have formalized into ongoing events and organizations in Period II.

Figure 4 is a data display that adds the connections and interactions across individuals, organizations, and events participating in different threads to generate a comprehensive view of

inter-thread development, meaning the degree to which actors, groups, and organizations contribute to more than one thread. From 2000 to 2014, the relatively few actors and organizations present and active in ecosystem-relevant efforts had expanded to fourteen threads of activity which themselves become increasingly dense or connected. As with the other displays, inter thread density becomes much higher in Period II, after 2010 to 2011.

----- Insert Figure 4 here -----

A TWO PERIOD MODEL OF EARLY MOMENTS IN ECOSYSTEM FORMATION

Our analysis reveals four categories of activities that characterize the early moments of ecosystem formation, selecting language, creating community, developing legal infrastructure, and providing financial report. These activities reflect the cultural-cognitive and material elements of ecosystem formation. Together, Figures 2 through 4 show social interactions that begin slowly and sporadically and then shift to become more frequent, to occur at higher levels of social organization, and to exhibit more density and interconnectedness. These patterns provide evidence for a two-period model of ecosystem formation where distributed and disparate activity in Period I undergoes a phase transition (Uzzi and Spiro, 2005; Padgett and Powell, 2014) to coalesce into a more coordinated and integrated social order in Period II. Below we elaborate on our model of entrepreneurial ecosystem emergence by comparing and contrasting each period as summarized in Table 3.

-----Insert Table 3 here-----

Period I activity centers largely on the categories of selecting language and creating community. Selecting language involves negotiating and promoting terminology that establishes shared meanings and helps define the boundaries of the group. Creating community involves concrete acts of convening where individuals work to attract others to an event and to develop

opportunities for interaction. The selecting language and creating community activities in Period I are mechanisms that settle the cultural-cognitive and material foundations, respectively, of a nascent entrepreneurial ecosystem for impact business.

Period I activities focus on identifying and gathering actors to articulate and develop a shared sense of purpose, thereby defining the range of actors who might eventually become part of the ecosystem. Cultural-cognitive activities in Period I center on establishing meaning, purpose, and identity through language that connects actors and differentiates them and their activities from existing conventions. People and organizations experiment with language to describe and convey their activities and what they are doing differently (Williams, 1976). Material activities that support Period I ecosystem development may have a task focus, for example to create alliances between like-minded entrepreneurs, or a social focus, for example, to hold events that support discussion of common interests. In either case, successful convening events must create a meaningful social context that generates energy for continued engagement. While events and interactions provide actors with a forum to explore the range of similarity and difference in meanings, in Period I shared meanings and patterned interactions are not yet fully developed or connected, thus interaction does not guarantee shared meanings, and shared meanings may not yield continued interactions.

Period I is likely to include a number of convening events that fail to generate sufficient meaning or purpose for actors to continue their involvement. In Period I, a shared vision is forming but the full range of tasks and activities that are needed to achieve the vision is not yet clear, thus a variety of experiments, false starts, and fruitless relationships will occur. Moreover, most actors participating in Period I are working in dyads or groups that are aligned to just one or two subsets of tasks or activities. Participants lack a well-developed meaning system that helps

them identify other actors and activity sets that may be connected to their own goals or to the larger project of ecosystem creation.

In Period II, the interactions become more frequent, formalized (occurring at a higher level of socialization), and densely connected. The ecosystem is becoming increasingly structured and solidified into durable patterns connected by a common meaning system. The activities in Period II integrate cultural-cognitive and material elements by linking them to purposive activities that become more regularized and formal. The cultural-cognitive activities of selecting language are still occurring, and efforts to create community are still ongoing.

Activities related to developing legal infrastructure and generating financial support become more dominant in Period II. For example, activities such as getting the SPC legislation passed were not technically necessary for the formation of social impact businesses, but they had significant institutional impact. This effort connected Seattle-area attorneys to a broader social movement around enacting benefit corporation legislation, elevated awareness of social impact businesses across the state, and created an organizational label that is unique to Washington State (SPC). Similarly, activities to generate financial support such as forming an impact angel investor group, holding an impact business plan competition, or creating a dedicated business accelerator demonstrate the legitimacy of social impact businesses by using existing institutionalized conventions.

The activities in Period II go beyond gathering like-minded people together to include more purposive, interrelated tasks and denser connections that begin to define and connect an emerging ecosystem through both cultural-cognitive and material elements. Actors are more aware of others who are engaged in related efforts, and activities that were only loosely connected in Period I become more connected. For example, high net worth actors shift from

conversation about social impact business in Period I to discussions about how they might educate themselves and others about impact investing in Period II. Similarly, Period II is marked by awareness that new laws create new opportunities for lawyers, and actors in the ecosystem are able to recognize each other as pursuing related goals to support social impact businesses. Activities become more focused on a common purpose, and the number and variety of experimental efforts decreases.

In Period II, the language and identity of the ecosystem continue to develop but are sufficiently established to communicate ecosystem boundaries and membership to nonparticipants. Outreach beyond the early members of the ecosystem is characteristic of this period. This involves boundary testing, boundary expanding, and boundary spanning to generate more awareness of and engagement with the ecosystem, which generates social power for the ecosystem independent of tangible resources. With growing formalization of interactions and higher levels of social interaction that include organizations and inter-organizational partnerships, actors are better able to garner legitimacy and recognition from other organization fields related to law, public policy, and finance and to educate nonparticipants about the presence and identity of the emerging ecosystem. They are also able to challenge the institutionalized conventions of market-based capitalism to develop social impact business-oriented conventions for ventures and startups, for legal forms, for access to funding, for strategies, and for growth.

A final important distinction between Period I and Period II is that the two tasks of ecosystem creation, namely generating patterned interactions and shared meanings, which were relatively separate in Period I are now more strongly linked and mutually reinforcing. The inseparableness of meaning and action is key to the ecosystem phase transition, because if these

remain disconnected or loosely-coupled (as in Period I), there is no functioning ecosystem due to either lack of identity (shared meaning) or lack of activity (durable, patterned interaction).

DISCUSSION AND CONCLUSION

To develop a better understanding of how ecosystems form, we have employed insights from field theory to structure our inquiry and theorizing. Seeing an ecosystem as an interdependent network of participants united by a shared logic and engaged in collective value creation (Thomas and Autio, 2016) moves attention towards a more processual and animated view of ecosystem formation. Field theory encourages questions about how shared meanings and patterns of interaction that create interdependencies arise and how they shift over time. With roots in a social constructionist approach that emphasizes how ‘collective beliefs and values emerge from repeated interactions’ (Hinings, *et al.*, 2003: 305), a field theory approach enriches ecosystem theory by considering how individuals doing things together contributes to the particular features and dynamics of an ecosystem including the development of conventions that support ecosystem participants.

In addition, a field theory approach takes seriously the role of the larger societal context that shapes and constrains entrepreneurial activity, which is applicable to those interested in social entrepreneurship ecosystems as well as other kinds of entrepreneurial ecosystems. A field view elevates consideration of how the institutional context of market-based capitalism shapes access to resources and legitimacy, affecting entrepreneurial ecosystem formation for social impact businesses. While our study focused on the early moments of a social impact business ecosystem, the processual and bottom-up theory of how ecosystems form is generalizable to other kinds of business innovation ecosystems. Entrepreneurial efforts connected to emerging technologies or services face similar dynamics as social entrepreneurs in the sense that they too

must adapt to, work around or attempt to change institutionalized conventions linked to existing technologies, current divisions of labor, and policy.

Our work is consonant with the biological origins of the ecosystem metaphor as an emergent, self-organizing, and self-sustaining system (Tansley, 1987; Isenberg, 2016). We offer a detailed exposition of how a variety of distributed, concurrent activity threads are enacted over time and how they align, coalesce, diverge, and in some cases, die out during the early moments of ecosystem formation. This micro activity formed around problems common to all developing ecosystems, such as social isolation and dispersal, as well as problems linked specifically to the mismatch between social impact businesses and the institutions of market capitalism, including lack of clarity around legal issues, limited channels for acquiring capital, difficulties in selecting organizational forms, and a lack of established signals to differentiate social impact businesses from traditional businesses.

As actors in our study worked on these problems, they generated new, local conventions to support social impact business. Such conventions included new terminology, the use of social media to attract like-minded individuals, the creation of dedicated physical space, the development of new legal forms of organization and legal practices, and the establishment of new resource pools and methods for funding social impact businesses. More generally, to foster an entrepreneurial ecosystem, actors had to create and sustain new and increasingly complex systems of social organization to address the challenges present in their local and institutional circumstances. Our research suggests that an important defining moment of ecosystem creation occurs when meanings and interactions become inextricably intertwined.

These findings offer theoretical and practical contributions, as well as challenges for future research. First, this study suggests that ecosystems are endogenously created from the

fabric of social interaction itself. Informed by insights from field theory, this bottom-up, activity rich view of ecosystem formation provides a theoretical alternative to the top-down, structural view of ecosystem creation so prominent in the strategy and entrepreneurship literature.

A second key insight from our work is the importance of social interaction as a resource for and catalyst to ecosystem formation, whether that interaction is purpose-driven convening (Dorado, 2005) or simply an effort to attract and connect with similar others without designs on institutional change writ large. Opportunities to interact help gather dispersed, previously unconnected individuals and foster new relationships, collaboration, and experimentation. Ongoing interactions then support the construction of an entrepreneurial ecosystem across multiple fields and in the interstitial spaces between fields (Furnari, 2014). Social interaction opportunities serve as bridges to link actors in unrelated organizing threads, which allow some activities to be repeated and sustained across wider units of social order. Further, activities in distinct institutional fields (such as law and finance) converge to influence the opportunity structures for social entrepreneurs, leading to new conventions that have potential to influence the pervasive institution of market capitalism.

Third, we contribute to a more refined understanding of the temporal aspects of ecosystem development. Our approach to tracking an ecosystem's formation through several different dimensions of interaction, specifically the frequency of interaction, the level of social organization, and the density of connections provided evidence of a punctuated processual model where low level, continuous, relatively disconnected activity rather suddenly coalesces into a more defined social order. We deliberately use the language of phase transition, in the spirit of Uzzi and Spiro (2005) and more generally in the efforts of Padgett and Powell (2014), to capture

the relatively simultaneous shifts in order and organizing capacity that can occur in complex social systems.

Finally, our research setting contributes to the social entrepreneurship literature by providing an empirical investigation of the infrastructure that supports social impact entrepreneurs and businesses. Our work highlights how the market-based capitalist system complicates the development of conventions and a supportive ecosystem that advances the goals of impact businesses.

Beyond these theoretical contributions, our study offers several insights for policy and practice. We illuminate the inadequacies of establishing successful entrepreneurial ecosystems by trying to replicate existing examples (e.g., Silicon Valley) through top-down initiatives. This mis-specifies the historical and contingent bottom-up organizing processes involved as well as the nature of conventions that organize and support initiatives. Rather than merely assembling the ingredients, for example educational institutions, funders, entrepreneurs, accelerators, etc., our recipe includes process elements that create opportunities for engaging in social interaction to comment on what is happening locally and more broadly. As Munir notes (2005), events are only significant and lead to change if social construction occurs around them.

We advise practitioners to consider creating opportunities for convening not just when uncertainty exists about how to fix a problem but also when uncertainty exists about the problem itself (Dorado, 2005). Additional suggestions include allowing for experimentation, being patient with failure, and recognizing phase transitions as they are occurring. Phase transitions are not just an opportunity for intervention and control (how to make more interactions, etc.) but are also opportunities for social construction about the ecosystem that can generate virtuous cycles of additional activity that spans the ecosystem, connects an ecosystem together and potentially

expands it. Such advice is relevant for those seeking to support entrepreneurial initiatives related to innovation and technology as well as those for social impact, where the ecosystem needs to create and sustain alternatives to resources, capacity, and rationales that already exist for commercial ventures.

The findings from this qualitative, theory-building study suggest several new avenues of research. Future comparative work can study multiple ecosystems with similar structural attributes to identify processes, activities, and relationships that contribute to differences in outcomes in terms of value creation and capture. Our activity-rich approach to tracking interaction can be applied not just to initial formation and development but to the entire life cycle of an ecosystem, offering insights into longevity and decline. The scope of investigation could be broadened to include additional types of ecosystem actors such as banks, governmental agencies, legislators, and private foundations. Finally, future research can build upon our notion of phase transitions to examine whether and how additional inflection points in the coalescence and development of an ecosystem might be related to value creation.

We see ecosystems as relational, activity-rich spaces where actors grapple with conflicts and consensus and with institutional conformity and distinctive approaches as they strive to establish conventions that can sustain activity and support their legitimacy. Our research suggests that the nondeliberate act of creating an ecosystem by engaging in entrepreneurship-linked activities can sow the seeds of transformative institutional change when new conventions are created to name, serve, and align local needs. The ongoing task is how to sustain and amplify such conventions such that they can coexist with and potentially supplant incumbent conventional meanings and activities.

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Figure 1. Threads of organizing effort, organized by primary content area, Seattle WA social impact business entrepreneurial ecosystem

Figure 2. Cumulative counts of social interactions by type, Seattle WA social impact business entrepreneurial ecosystem, 2000–2014

Figure 3. Development of intra-thread patterns of activity, Seattle WA social impact business entrepreneurial ecosystem, 2000–2014

Figure 4: Development of inter-thread connections, Seattle WA social impact business entrepreneurial ecosystem, 2000–2014

Table 1. Interview subjects

Informant type(s)	Informant affiliation(s)	Enterprise type	Year founded
Attorney	Legal Services	For profit	1944
Attorney	Legal Services	For profit	2011
Attorney	Legal Services	For profit	2011
Dean	Graduate Education Institution	Non profit	2001
Employee	Certification Organization	Non profit	2007
Employee	Co-Working and Events Space	For profit, B-Corp certified	2011
Employee	Co-Working and Events Space	For profit, B-Corp certified	2011
Faculty Member	Graduate Education Institution	Non profit	2001
Founder/Partner	Impact Philanthropy	Non profit	1998
Impact Investor	Impact Investing/Philanthropy	Non profit	1998
Impact Investor	Organizer of impact investor group	NA	NA
Impact Investor	Impact Investing/Philanthropy	NA	NA
Impact Investor	Impact Investing/Philanthropy	NA	NA
Social Entrepreneur	Network Building for Local Business	Non profit	2010
Social Entrepreneur	Co-Working and Events Space	For profit, B-Corp certified	2011
Social Entrepreneur	Co-Working and Events Space	For profit, B-Corp certified	2011
Social Entrepreneur	Financial Services	For profit, SPC	2012
Social Entrepreneur	Social Business Accelerator	For profit, B-Corp certified	2010, 2012
Social Entrepreneur	Food vending	For profit	2012
Social Entrepreneur	Marketing Services	For profit	2012 ³
Social Entrepreneur	Online Services for Non Profits	For profit, SPC, B-Corp certified	2013
Social Entrepreneur	Business Consultant	For profit, SPC	2013
Social Entrepreneur	Clean Tech	For profit, B-Corp certified	2007, 2013
Volunteer	Co-Working and Events Space	For profit, B-Corp certified	2012
Volunteer	Organizer of social enterprise network	NA	2012

³ Firm established in 1994; re-located to WA in 2012.

Table 2. Representative data illustrating activity areas

Selecting language

And so the vision has always been focused around social entrepreneurship although it's been expressed in different verbiage depending on where you're at.

We've vacillated between the term social entrepreneurs and inspiring person.

I've had numerous debates on language, but at the end of the day it doesn't matter to me too much what you call it. Ultimately, all of the work being done has been successful when there's no longer an adjective used to describe something because it's what entrepreneurship should be. To say social entrepreneurship or impact entrepreneurship in some ways is a disservice. It's a necessary distinction at this point because it does frame things a little bit differently, especially when you look at going out for capital. You're talking about different value propositions, you're talking about different returns.

And that start-up terminology is so weird too. It's like what makes a business a start-up? You wouldn't call your favorite coffee shop that just opened a start-up. Right? I don't know if start-up hints that you might be huge one day, I don't know. And yet the social entrepreneurship title isn't clear too.

The shift is redefining what those terms mean. With social entrepreneurship and social enterprise, shareholder value is not only a return on your investment or a dividend that you are being paid by a for profit company but it is an impact, either a specific impact and I mean at this point the terms are like a general public benefit, a specific public benefit, a general social purpose or a specific social purpose.

Creating community

One of the things we do is to convene people that have common interest in the community. And um, you know, we'll schedule a meeting two weeks out and say, 'Anybody interested in doing work in social entrepreneurship in the area and wants to talk, and share what they're doing, come on over. We'll meet for an hour, go around the room and have some cookies and Coke or something.'

[It took] a few leaders from the city who had been kicking around the term 'social enterprise' to just kind of say, 'Hey, what's everyone up to? We're all in similar circles talking about social enterprise in Seattle.'

Half a dozen people sitting in the room are not going to change the world, but if a half a dozen people take responsibility for informing the broader community, the community can take responsibility for informing the region, and the region can take responsibility for informing the country, etcetera, etcetera. And so we're trying to think in terms of broad strokes and trying to attract people to the concept.

Developing legal infrastructure

I just don't know how it's going to manifest itself. It's at such early phases and stages here with benefit corporations and SPC's, we're still trying to figure out how we do it here. There's tons of entrepreneurship but no designated structure on how to make that work inside the current legal framework.

But in terms of sort of legal expertise, the law is new, right? There's no case law yet, so the expertise is in, you know, is there an analogy you can think of other areas of law, you know ten years ago, that have emerged like this.

...a good analogy would be when the LLC first came along. A lot of people were like, 'Wait a minute, what's this? How can we use it?' So the expertise is if you really understand the goals of the draft of the LLC, then you know it's supposed to be a very flexible business form, and then you can kind of get creative because of that. So that's what we can offer, some creativity in this.

So even before the Social Purpose Benefit Corporation was available in Washington State, I mean we were practicing using alternative methods than just corporate law, often times a shareholder's agreement or the LLC Operating Agreement to get owners of a company to agree about social purposes. You know what I mean, so we were using other tools, but this is just a much more off the shelf, streamlined easier tool.

Generating financial support

...if you have a social business, that doesn't really compete very well on a financial basis with a non-social business. The risk profile is higher and the returns are lower. Right? And so when I made those rounds back in 2011, clearly I saw that survey of these different [venture funding] competitions said that they're still happening, it's bubbling up, but it doesn't have a place to go. So that's why we actually created the Fastpitch, which is to shine a light on these social innovations that are happening here, and get it in front of 750 or 1000 people in Seattle Center a couple of times. That would help connect the community and help spur connections that would really propel those companies forward as well.

I wanted people to see that you can actually invest money in businesses that are actually going to make money and do good at the same time. In our first set of applications about a little less than a third of the applications were for-profit social impact businesses. In our second year, half of them were. And we'll see in the third year, I assume that that number will be even more because there is a lot more activity in that space.... And what that's doing is it's starting to attract capital.

So, we are a fund, we give out money, we do our investments, and we are currently 12 investors and growing. And I'm working with some of the impact angels in town, there is likely to be a fund created.... We are told there is one coming from Portland. They are just popping up. They are actually structured like you are talking about: a bunch of people as LPs [limited partnerships], with the right structure around it.

Table 3. Periods and phase transition, early moments in an entrepreneurial ecosystem

Activity dimension	Period I		Period II
Cultural-cognitive activity	Focus on creating shared language and meanings	P H A S E T R A N S I T I O N	Conventions such as shared language begin to emerge; Meaning making is integrated with material activities
Material activity	Focused on creating a community		Increased attention on garnering legitimacy from outside the field through material outcomes
Profile of activity	Many diffuse efforts that are largely independent		Fewer, more focused efforts with greater awareness of interrelationships
Level of social interactions	Primarily dyadic and group		Growing organizational and inter-organizational interactions; dyadic and group interactions remain high