

PUBLIC SECTOR ENTREPRENEURSHIP

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Public Sector Entrepreneurship

Synonyms: risk-taking; innovativeness; pro-activeness; resources.

Definitions: creation or extraction of public value; the activity of managing a public organization with taking initiatives or risks to improve or solve government or public problems; seeking an opportunity and extra-role behavior to serve society and government; running or managing an organization with an initiative and risk-taking; recognizing and exploiting the opportunity to provide services to publics; combining organizational capability and resources to exploit an opportunity to provide new or improved services to citizens.

Introduction

Entrepreneurship has become a buzzword in our society. Many organizations and individuals consider their organizations or themselves as entrepreneurs. Entrepreneurship is seen as a positive phenomenon and is a popular topic. Many academics, policymakers, and practitioners are interested in entrepreneurship. For example, a simple google scholar search yields over 2,000,000 studies on entrepreneurshipⁱ. However, there are only 1,640 results when we search “public sector entrepreneurship.ⁱⁱ” These findings demonstrate that entrepreneurial activities mostly focus on the private sector, or the firm rather than the public sector, or the government. However, public sector entrepreneurship (PSE) has gained the attraction of scholars and has become a hot topic in recent years. There is a growing interest to understand PSE indicated by the 609 research output (out of 1,640) since 2016ⁱⁱⁱ. In other words, 37% of studies on PSE are published in the last 4.5 years.

Despite the growing interest in the PSE, PSE still lags behind private sector entrepreneurship research. The important reasons behind this scarcity of research on PSE is that entrepreneurship is considered a profit-maximizing activity while public organizations do not

have this mission. In addition, as public organizations are typically funded by tax-payers' funds', it may not be logical to risk or “waste” the budget to a product or service that may fail.

Moreover, funding constraints, organizational structure as public bureaucracy are typically hierarchical, risk-averse, complex, subject to a red-tape due to accountability and scrutiny mechanisms, and has less market exposure, so there are claims that entrepreneurial activity in public organizations and among the public sector employees are low compared to the private sector (Bozeman and Kingsley 1998; Morris and Jones 1999; Özcan and Reichstein 2009; Swann, 2017). Therefore, it is important to differentiate PSE from private entrepreneurship because “there are significant differences in organizational realities, suggesting that the goals, objectives, constraints, approaches, and outcomes associated with successful entrepreneurs are unique in public sector organizations” (Kearney et al., 2009, 28).

The rest of the chapter is organized as follows. In the next section, we will look at the history of PSE, then in the following section, we present various definitions currently proposed by the scholars, and examine how PSE differs from private entrepreneurship. Then we present various successful PSEs. Our chapter ends with a conclusion.

Brief History of PSE

PSE gained the interest of the governments in the '80s, the beginning of New Public Management (NPM) in the UK, Australia, and New Zealand than in the United States in the 1990s during the reinventing government movement (Clinton and Al Gore administration's National Performance Review movement). All of these reforms were geared toward encouraging public organizations and public sector employees to be entrepreneurial (Bernier and Hafsi, 2007; Hayter et al., 2018; Osborne and Gaebler, 1992, 1997; Windrum and Koch, 2008). The objective of NPM was to empower managers. The motto of NPM “let the managers' manage” is associated

with PSE by allowing managers to manage and by doing so they can help governments' to behave entrepreneurially (Bernier and Hafsi, 2007). Swann (2017, p. 544) summarizes these developments cleverly:

Traditional public administration indeed had little room for entrepreneurship with rigid rules, strict hierarchy, and narrow focus on internal procedures. But the advent of NPM, the reinventing government movement, and Moore's (1995) PVM ushered in a new era in which public managers were expected to not only act more like private managers and autonomously 'manage for results' but also, and more broadly, think 'imaginatively' and behave entrepreneurially to create public value in an increasingly networked governance world.

What is PSE?

As the name suggests, the term public sector entrepreneurship (PSE) has two concepts: "public sector" and "entrepreneurship." PSE aims to combine these two concepts. The public sector refers that an organization that is funded, owned, and controlled by governments (Bozeman, 2004; Rainey, 2009). Employees working in the public sector are typically called civil servants or public servants. Researchers typically exclude employees working in public hospitals and public schools from the classification and include employees working in the departments/ministries, or state or local governments are considered public sector employees (Arundel et al., 2019; Vivona et al., 2020). For the second concept, Howard Stevenson defines entrepreneurship as "the pursuit of opportunity beyond resources controlled" (Eisenmann, 2013, no page number). Entrepreneurship refers to exploration and exploitation of the environment (Klein et al. 2010; Shane and Venkataraman, 2000).

Therefore, PSE—a combination of the public sector and entrepreneurship—can be defined as the pursuit of opportunity, exploration, and exploitation activities in the public sector. More specifically, there are several definitions are offered by different studies. The earliest definitions of PSE were offered by Wagner (1966) and Ostrom (1964). Wagner (1966) viewed

PSEs as operators providing services or collective benefit for political gain. Ostrom (1964, 2005, p.1) viewed PSEs who changed market environment to influence the behavior of the private sector entrepreneurs, "...form of leadership focused primarily on problem-solving and putting heterogeneous processes together in complementary and effective ways". Most recently, Hayter et al. (2018, p. 689) defined PSE as "actions that are innovative, that transform a status quo economic environment, and that are characterized by uncertainty." Demircioglu and Chowdhury (2020, p. 3) defined public sector entrepreneur as follows: "to achieve an organization's objective, an employee works beyond what is required in his/her job, goes the extra mile, and suggests ideas or policies that improve how the organization and its members work." According to Swann (2017, p. 544), public sector entrepreneurs are the visionary individuals or organizations that operate within an environment of uncertainty and identify and take opportunities to innovate and create value with the intent of attaining some reward, praise, recognition, and/or self-fulfillment." The following section will explore some important studies on PSE.

Research on PSE

Studies on entrepreneurship, including the private sector (the most studied), the public sector, and the non-profit sector focuses on three views: organization, such as type and age of the organization; behavior, such as individuals' and organizations' tendency to search and explore opportunities, their innovativeness, risk-taking, and pro-activeness; and performance such as whether entrepreneurship activities (entrepreneurship behavior) increase the tendency to survive to prosper and perform well (Audretsch and Link, 2018, 2019; Audretsch, Siegel, and Terjesen, 2020; Leyden and Link, 2015). Similar to private and corporate entrepreneurship, PSE occurs in all levels of an organization --- individual level, organizational level, and inter-organizational

level. According to Audretsch, Siegel, and Terjesen (2020), the second view (behavior) is most relevant to entrepreneurship scholarship from a management and business perspective since both, individuals' and organizations', behavior influences capability building of an organization and vice versa

Like the private sector or corporate entrepreneurship, PSE includes risk-taking, innovativeness, and pro-activeness (Kearney et al., 2009; Kim, 2010; Moon, 1999). Business research considers these three characteristics as entrepreneurship orientation (EO) of firms (Covin and Miller, 2014; Covin and Slevan, 1989). In addition to innovativeness, risk-taking, and pro-activeness, both the private entrepreneurship and PSE also entails opportunity recognition, flexibility, vision, rewards (financial or nonfinancial) (Luke et al., 2010), and access to resources (Barney, 1991).

While entrepreneurship in the private sector typically focuses on maximizing profit, increase stakeholder shares, and extend the firms' product and services, PSEs have broader social goal including regional or national economic development, solving social problems, and dealing with grand challenges such as poverty, migration, along with the sustainability of the organization and its resources (Itami and Roehl, 1987; Klein et al., 2013). Therefore, PSE can help governments reduce market failures with innovative and creative solutions (Audretsch, Siegel, and Terjesen, 2020). Political leaders are interested in promoting PSE because doing so can increase governments' performance (Moon, 1999).

According to Bernier and Hafsi (2007), PSE evolves from individual entrepreneurship (e.g. Roberto Moses) to systemic entrepreneurship because society, organizations, and the external environment are changing and organizations are institutionalized (e.g. large number of individuals have become entrepreneurs as creativity is acknowledged and encouraged and

individuals can make some decisions). Therefore, instead of certain individuals, organizations, and a large number of people are expected to behave entrepreneurially. As Bernier and Hafsi (2007, 499) state

systemic entrepreneurship “seems to come about more easily when organizational creativity is legitimized and contributions to this creativity are acknowledged. In such cases, entrepreneurs are people who know how to breathe new life into organizations haunted by selfdoubt. Innovators can take advantage of the opportunities they are offered to make positive contributions to developing the organization and the larger decision space that thereby becomes available.”

Successful PSE Examples

This section illustrates three recent and emblematic cases that present germane theoretical interest to the evolution of individual PSE into organizational and systemic change. A first paradigmatic example is the *de-managerialization* of local authorities in the Netherlands^{iv}, i.e. the transition from traditional and hierarchical bureaucracy to employees’ empowerment and self-management. This practice proved beneficial in the private sector (see Kirkman and Rosen, 1999; Shipper and Manz, 1992), as promoting employees entrepreneurship allows organizations to be more productive and flexible to the changing environment; nonetheless, it has only recently been applied to public sector organizations. This PSE case originated in Nijkerk municipality, where employees proposed to implement a “bulletin board” to match unoccupied public servants with unresolved or complicated tasks, to optimize response timeliness through improved time management. Employees strongly committed to the initiative, to the point that both the municipal council and executives decided to support the new working method and embed the change into the organization, resulting in the formation of 28 self-managing teams, each with its plan and managerial responsibilities. This is an example of bottom-up PSE, where employees’ innovativeness drives systemic change in the organization, consistent with Bernier and Hafsi’s (2007) claim that PSE can be systemic and many employees can be entrepreneurs.

Another case, which provides an exemplary top-down PSE, is the initiative promoted and championed by the Mayor of San Francisco in 2016, which aimed at creating public value by enhancing living standards through improved service delivery^v. In order to address citizen needs, the mayor formed a “Fix-it team”, which operated in five phases: (i) gathering data through community surveys and analyses of police data; (ii) mapping of “fix-it zones”, i.e. areas concerned with poor quality of life; (iii) validation of the zones, by physically walking the areas with relevant stakeholders (e.g. citizens, agencies); (iv) creation and implementation of an action plan for each zone; and (v) sharing feedbacks with residents. The Fix-it team played a major role in creating transparency, learning, and multi-level and multi-agency partnerships, which are relevant to address social issues. This allowed San Francisco municipality to change the way citizens are listened to, and secure rapid and effective delivery of public services in troubled zones.

Moving from municipalities to higher levels of government, a promising PSE case is represented by the Global Innovation Policy Accelerator (GIPA)^{vi}, a cross-national partnership program between several developing countries (such as Chile, Colombia, Mexico, Peru, Brazil, India, and others) and a consortium of UK innovation experts, including public agencies (e.g. Nesta, Innovate UK) as well as universities (e.g. Oxford, Manchester). The aim of the program is the creation of an international network of policy entrepreneurs to share and adopt best practices and to promote systemic change. Piloted in 2017, the program built on shared expertise to undertake a pioneering project of bringing in various Latin American countries' innovation policy into diplomatic agenda, in order to further enhance cross-national collaboration. Deemed by participating partners as a successful experience, GIPA institutionalized its function towards building and developing innovation capacity in government organizations, that is, it aims at

empowering government in developing countries in pursuing public sector innovation. This change has been embedded into a revised version of the program which is now under evaluation. This example demonstrates that innovation and entrepreneurship are highly related and innovation can occur through entrepreneurial action and behavior (Audretsch and Link, 2019; Hayter et al., 2018; Leyden and Link, 2015; Leyden, 2016)

Conclusion

What we know about PSE is growing thanks to increasing studies focus on the public sector. Despite diverse conceptualizations, we defined PSE as the pursuit of opportunity, exploration, and exploitation activities in the public sector. Research on PSE assessed the evolution from individual entrepreneurship to systemic. The presented successful cases show that PSE usually originates as individual entrepreneurship (of a single person – a Mayor, a single group of employees, or a single organization), and its success can be evaluated to the extent individual efforts are recognized and embedded in systemic change. The cases also exemplify cardinal characteristics of PSE presented in previous sections of the essay, such as the importance of innovativeness, risk-taking, and pro-activeness, opportunity recognition and exploitation, flexibility, vision, rewards, and access to resources. Overall, PSE is worthy of research thanks to the broader public interest from citizens and politicians and making public organizations perform better, serve the citizens more efficiently and effectively, and create public value (Bernier and Hafsi, 2007; Luke et al., 2010; Moore, 1995).

Cross-References

Entrepreneurial Bureaucracy

The Entrepreneurial Bureaucrat

Entrepreneurial Opportunity, Cultural Development, and Economic Competitiveness

Public Policy Entrepreneurship

Entrepreneurial Thinking in Public Organizations

Managerial Entrepreneurship in the Public Sector

Risk and Organizations

Innovation

Organizational innovation

Risk and Performance in Public Sector

Public Administration Risk Management

Dynamics of Managerial Innovation

iLabs and Public Administration: Public Innovation and Future of the Public Sector

Public Personnel and Innovation

Innovation Ecosystem

Leaders and Innovations in Public Organizations

Innovation and the Digital Agenda

Open Innovation

Public Innovation – Concept, Praxis, and Consequence

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ⁱ As of June 1st, 2020

ⁱⁱ As of June 1st, 2020

ⁱⁱⁱ As of June 1st, 2020

^{iv} <https://oecd-opsi.org/innovations/self-managing-teams-in-nijkerk-municipality/>

^v <https://oecd-opsi.org/innovations/the-mayors-fix-it-team/>

^{vi} <https://oecd-opsi.org/innovations/global-innovation-policy-accelerator/>
<https://www.nesta.org.uk/project/global-innovation-policy-accelerator/>