HOW VOLUNTARY ASSOCIATIONS AFFECT COMMUNITY ENTREPRENEURSHIP (SUMMARY)

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**Summary**

**How Voluntary Associations Affect Community Entrepreneurship**

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**Principal Topic**

Entrepreneurs rely on social relationships to gather the resources they need to build new organizations. Generally speaking, the richer the social life of a community, the more likely it is to facilitate entrepreneurs’ access to obtaining the resources they need to build new organizations (Stinchcombe, 1965). This study focuses on how voluntary associations, which contribute to creating a rich social life by bringing residents together outside their work and family domains, contribute to entrepreneurship at the community level.

By bringing together potential entrepreneurs in environments that foster trust, shared norms and the exchange of ideas, voluntary associations facilitate access to resources that lead to the creation of new firms. This study hypothesizes that the contribution of voluntary associations on the creation of new businesses differs based on two dimensions: the association’s level of sociodemographic diversity and the rate of participation by members in association activities. Generally, more diverse associations and associations with higher rates of active participation are expected to spur entrepreneurship by providing entrepreneurs with greater access to key resources.

**Method**

Data from various government agencies are used to examine the effect of voluntary associations on community entrepreneurship. The dependent variable is the number of establishment births in a given year. The independent variables are counts of voluntary associations. Survey data is used to determine levels of associational diversity and participation. The resulting dataset includes 391 labor market areas in the continental United States over an eleven-year time period (1999-2008). The empirical analyses are performed using ordinary least-squares regression with community and year fixed effects.

**Results and Implications**

The results partially support the hypotheses. Voluntary associations whose members actively participate in association activities and that have low levels of sociodemographic diversity are most likely to spur entrepreneurship. The study’s findings suggest that voluntary associations are a vital element of a community’s social structure as they contribute not just to civic outcomes, but also to economic outcomes.

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