

Why Entrepreneurs Embrace a Stigmatized Location

Birton Cowden, Josh Bendickson, Blake Mathias, Shelby Solomon

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It's that stigma of being from Detroit where you guys get mugged every day. It's the good and the bad. The good is it helps you put yourself on the map even further because Detroit is a small town, and if something significant comes out of Detroit, it actually helps accelerate your growth faster because people like to get behind underdogs. While being in Detroit can be looked at negatively, in turn that can actually help you. If you are looked at negatively, and then something good is produced, it's like your biggest critic becomes your biggest champion as time goes on once you prove them wrong. Artificial Intelligence Founder, Interview

Stigma reflects a label that evokes a collective stakeholder group-specific perception that an entity possesses a fundamental, deep-seated flaw that deindividuates and discredits the entity (Devers et al. 2009: 155). Given the negative effects of stigma (Hudson and Okhuysen, 2009), scholars focus on organizations' efforts to disidentify or decouple from stigma (Elsbach and Bhattacharya, 2001; Lashley and Pollock, 2019). Presented the opportunity, individuals and organizations are motivated to distance themselves from stigmatized groups to avoid having the stigma transfer to themselves and their organizations (Vergne, 2012). Indeed, even when stigma is “core”—or fundamental to an organization's very nature, and therefore difficult to remove (Hudson, 2008; Vergne, 2012)—firms take painstaking actions to reduce or decouple the stigma from attachment to their organizations (Hudson and Okhuysen, 2009). Therefore, existing research focuses on how organizations cope with their stigma (Lashley and Pollock, 2019) and theory predicts that audiences will disidentify with stigmatized groups or activities, especially if a stigma is not “core” or tightly-coupled to an individual or organization.

Yet, we lack an understanding of how and why organizations and their respective leaders or founders would embrace stigma and make it part of their narrative, particularly when that stigma is not core to an organization's existence. We assert that an organization's location (e.g., neighborhood, city, region, country) represents such a feature—or one that is not necessarily essential for most venture leaders and their organizations in explaining who they are and what they do. Our understanding of stigma would suggest that given the opportunity, individuals from stigmatized locations (e.g., high crime rate, government corruption, and inadequate infrastructure) should seek out opportunities elsewhere, non-native individuals should avoid such locations, and founders or leaders of organizations existing within a stigmatized location should downplay their associations with the area. However, we discovered these predictions do not hold up in the face of recent phenomena, as we explored a context in which entrepreneurs knowingly opt for a stigmatized location and embrace their associations with that location as a central piece of their entrepreneurial narrative. In doing so, we seek to better understand not only *how and why entrepreneurs embrace a stigmatized location, but also why would they make it part of their entrepreneurial narrative?*

To explore this question, we chose an inductive approach within Detroit, MI—a city rife with stigma. We first gathered several years of news articles to establish and gain insights into the long history and deep-seated stigma of Detroit, along with understanding how leaders and influencers of the city responded to the city's increasing decline. We found that the buildup of stigma has recently motivated Detroit's leaders and influencers to issue a call to arms for entrepreneurs to join the fight and launch ventures in Detroit by attempting to appeal to entrepreneurs' self-interests as well as social interests. To further explore why entrepreneurs responded to this call, we conducted an inductive field study that included interviews and a site visit. We discovered entrepreneurs co-opted the city's stigma to build their narrative in terms of toughness and being distinct or differentiated from other entrepreneurs, which we refer to as the *underdog narrative*. Additionally, entrepreneurs also co-opted the city's stigma to build their narrative in terms of the nature of their social, purpose-driven organizations and their ability to effect change in Detroit, which we refer to as the *comeback story*. Together, we found these two narratives served as the means through which entrepreneurs wove “Detroit” (and its stigma) into their own stories in the hopes that these efforts would benefit their own ventures as well as the city of Detroit.

From this, our study offers a number of theoretical contributions. First, in contrast to most work that focuses on disidentifying with stigma stemmed from stigma theory (Goffman, 1963), we advance the underexplored area of identifying with non-core stigma. Second, we contribute by building upon our understanding of the under-researched construct of stigma within entrepreneurship and business ventures. Given that the topic of entrepreneurs embracing stigma has not received mainstream academic attention nor have researchers of organizational stigma considered geography as a source of stigma, we contribute by illustrating why entrepreneurs are willing to assume a stigmatized geographic location as part of their narrative. Third, we build on recent work (e.g. Helms and Patterson, 2014) to provide a rare look into the potentially positive implications of stigma, as we explore how entrepreneurs are able to co-opt elements of the city's stigma to advance their own story, and ultimately, their organizations'.