

Civic Organizations: Industry Dynamics and Civic Wealth Creation

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This summer is once again gearing up to be a major season for wildfires. Wildfires are a growing threat in many areas, with their severity increasing significantly each summer. Across many parts of the world, homeowners now face the risk that these fires may destroy their homes in any given year. Our research finds that entrepreneurs play a critical role in managing wildfires and other social problems.

Entrepreneurs, policymakers, and researchers are all increasingly looking to address major challenges through innovative, cross-sector arrangements between governments and the private sector. Many people concerned with such problems, including homelessness, public safety, and education, believe these are jobs for governments alone. But this simple view ignores the complexity of how such problems are addressed in the real world.

In our research, we found that there are many opportunities to address such challenges through many types of organizations. We collected public data on the locations and actions of more than 2,000 organizations that jointly contribute to reducing the impact of wildfires across California. We then analysed their performance to see whether they can reduce property loss directly, and how effectively they can use government grants.

Our results show that many organizations make important contributions to saving property from wildfires. Although public organizations—including fire departments, town councils, and conservation districts—often have the most direct impact in reducing the risk of wildfires, both private firms and non-profits can be highly effective under the right conditions. Additionally, these businesses and non-profits in a community can increase the efficacy of public organizations. Private firms with specialized equipment, including logging and construction companies, can help communities modify their landscapes to prevent the spread of fires. And non-profits often educate and solicit information from homeowners, which can make them highly effective with minimal amounts of government support.

For example, the town of Lewiston in the mountains of Northern California was reported to have 10 homes destroyed in the past decade. In contrast, Weaverville—just 5 miles west of Lewiston—reported no property loss over the same time period. Whereas Lewiston has just one fire department, Weaverville has a fire departments and several equipment rental companies that are contracted with to prevent or

respond to wildfires. The results of our analysis suggest that this is common across the state of California, where communities with more businesses and nonprofits tend to see less property loss—even when controlling for other community-level characteristics like number of households and median household income.

Our analysis suggests that the combination of multiple tasks from several types of organizations makes a community resilient to social challenges like natural disasters. Even the largest organizations often face resource constraints that limit their effectiveness. This resource constraint can be managed through entrepreneurship and organizational diversity. Rather than create many public fire departments in a town with limited taxpayer funding, entrepreneurs can support these fire departments with other organizations they can work alongside.

Unlike public organizations, private firms only receive revenues if they create clear value for a customer who is willing to pay. This creates important complementary resources, and enables these firms to operate and contribute to community objectives only when needed. Alternatively, non-profits can exist even without any revenues so long as their members are willing to continue working. This creates community involvement that can persist and make a large impact on wildfire awareness and prevention, independent of the funding available from governments with tax making authority.

When thinking about how to fix complex problems like eradicating poverty, preventing climate change, or empowering minorities, entrepreneurs cannot look for simple solutions. Complex challenges often require complex solutions, which rely on the joint efforts of many different types of individuals and organizations. Entrepreneurs seeking to address such problems should map the landscape of complex problems to look for the best opportunities to fill gaps in the organizations needed to address a problem. By thinking more about the less-obvious types of organizations that address a problem, entrepreneurs can find more opportunities to address the most urgent challenges we face today from multiple angles.

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