Understanding Entrepreneurial Ecosystem

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ABSTRACT

Entrepreneurial ecosystems are a strategy that is designed to nurture economic development by promoting entrepreneurship, small business growth, and innovation. Ecosystems represent a new direction for entrepreneurship research that simultaneously increases knowledge of the complex contextual environments surrounding the entrepreneurship process, while at the same time providing useful contributions to policy debates around the role of high-growth entrepreneurship as a driver of regional economic development. This article reviews the concept evolution; different definitions and factors of entrepreneurial ecosystems. Additionally, it provides approaches of past contributions about entrepreneurial ecosystem. This article contributes to knowledge generation and provides further research directions. This study is an attempt to cover the different articles that exist on the entrepreneurial ecosystems.

KEYWORDS
Ecosystem, Entrepreneurial Ecosystems, Entrepreneurship, Literature Review

INTRODUCTION

The concept of “Entrepreneurial/Entrepreneurship Ecosystem” (EE) has received increasing interest over the past decade as governments, private enterprises, universities, and communities have started to recognize the potential of integrated policies, structures, programs and processes that foster regional entrepreneurship activities and can support innovation, productivity and employment growth (Autio et al., 2014; Stam, 2015; Mack & Mayer, 2016; Acs et al., 2016). A variety of local ecosystems projects has been launched in cities, regions, countries and around the world, particularly in mid-income and advanced economies (Mason & Brown, 2014). The active participation of various stakeholders has been identified as a key success factor for entrepreneurship ecosystem creation. Global surveys indicate that the interest in entrepreneurship ecosystems continues to grow as local public and private leaders feel increasing pressure to stimulate economic growth by supporting more and successful entrepreneurial activities in a given geography (Foster et al., 2013).

The phenomenon of entrepreneurship ecosystems has been investigated in a variety of different research streams from policy circles to academic studies (Hwang & Horowitt, 2012; Isenberg, 2011; Mason & Brown, 2014; Prahalad, 2005). The fundamental idea of an entrepreneurship ecosystem is to create a favorable environment to support innovation, the formation of new successful firms, and corresponding sustainable employment growth within a specific geographic region (Bruton et al., 2010).

The entrepreneurship ecosystem is a highly complex multi-level construct. At the regional level, it includes stakeholders, such as political decision makers, government agencies, universities and industry associations (Isenberg, 2011). At the firm level, the activities of new start-up and existing

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small or larger firms represent the engine to spur innovation-based regional economic development. The relevant activities often spread across organizational boundaries as knowledge and resources are shared. Actually, the relevant firms may include firms that provide valuable services to entrepreneurial firms, such as patent law firms, venture capitalists, and others. At the group and individual level, individuals engage in micro-activities that determine any firm-level outcomes. In addition, this micro-level focus is crucial for any investigations of entrepreneurial activities that precede and eventually may lead to the creation of a new venture (Alsos & Kolvereid, 1998).

Building on prior work on entrepreneurial environments and the geography of entrepreneurship, current ecosystem research has been driven by a strong policy interest rather than based on a strong research foundation (Neck et al., 2004; Spilling, 1996). As a result, there has been substantial attention paid to identifying the particular elements or factors associated with strong entrepreneurial ecosystems, less is known about how entrepreneurs actually engage with their ecosystem and how they draw on the resources, ideas, and networks held within them (Mason & Brown, 2014; Spigel, 2016). Ecosystem research has focused on a macro-perspective of identifying ecosystems and their primary attributes rather than on the micro perspectives on how entrepreneurs interact with and gain resources from their ecosystem. This makes it difficult to empirically verify the role of ecosystems and what benefits, if any, entrepreneurs gain from their engagement with it.

Although there is an increasing interest in studying the interactive effect of factors within the same ecosystem, several studies focus on a single or multi-level analysis, while neglecting the interaction of sub-ecosystems (Simatupang et al., 2015). A study by Zuckerberg et al., (2012) defends the idea that there is a wide variety of ecosystems and not only one kind. Therefore, the purpose of this paper is to understand how different ecosystems and sub-ecosystems are connected in the entrepreneurial study. To address this, we believe that this paper contributes not only to theory development of the entrepreneurial ecosystem but also in general by discussing the emerging contributions on entrepreneurial ecosystem. Therefore, this paper reviews the concept evolution; theory on entrepreneurial ecosystem includes different definitions cited in literature and factors of entrepreneurial ecosystem. Next an assessment of past contributions on the topic and a direction for future research is provided.

As ecosystems represent a new direction for entrepreneurship research that simultaneously increases knowledge of the complex contextual environment surrounding the entrepreneurship process while at the same time providing useful contributions to policy debates and researchers around the role of high-growth entrepreneurship as a driver of regional economic development.

THEOREOTICAL DEVELOPMENT

Concept Evolution

The concept of entrepreneurial ecosystems is somewhat convergent, those about the nature of actors who comprise this entrepreneurial ecosystem are, on the other hand, different, or indeed divergent. The heterogeneity of the actors comprising the ecosystem brings those specializing in the entrepreneurial ecosystem closer together. However, while some even emphasize the actors, others involve both the formal and informal relations which they sustain.

The evolution of entrepreneurial ecosystems is the critical issue. The questions arise about the development of entrepreneurial ecosystems whether it happens identically, or even similarly, in different places and at different times. In order to understand the emergence and evolution of an entrepreneurial ecosystem, we need to go beyond the lists of factors/components/elements approach.

The processes to create an entrepreneurial ecosystem are not automatic; they require competent entrepreneurs. For a proactive entrepreneurial system to develop requires entrepreneurial skills (technical, managerial, entrepreneurial, and personal maturity) in individuals as a way to increase their entrepreneurial development level (Lichtenstein & Lyons, 2006). Utilizing local entrepreneurs within a society as role models and coaches creates a pipeline of entrepreneurs who develop new
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