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GRADUATE SCHOOL
OF MANAGEMENT



Entrepreneurial Ecosystems as Levers for Growth & Transformation

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Krakow, September 5th, 2024

The ideas behind entrepreneurial ecosystems emerged already several decades ago in the academic discussion

History of the concept: Entrepreneurial Ecosystem

General understanding

The entrepreneurial ecosystem comprises a **set of interdependent actors and factors** that are **governed in such a way that they enable productive entrepreneurship** (Stam 2015).

Emergence of the concept

The fundamental ideas behind entrepreneurial ecosystems **emerged in the 1980s and 1990s** as part of a **shift in entrepreneurship studies** away from individualistic, personality-based research towards a **broader community perspective** that incorporates the role of **social, cultural and economic forces** in the entrepreneurship process (Aldrich 1990; Nijkamp 2003; Steyaert and Katz 2004).

Van de Ven (1993), for example, argued that **individual entrepreneurs cannot command all the resources, institutions, markets and business functions** that are required to develop and commercialize their entrepreneurial ventures.

Academic work today on entrepreneurial ecosystems delivers various insights into its value contribution

Research about entrepreneurial ecosystems

Selected research findings

There are **several empirical studies** showing how a rich entrepreneurial ecosystem enables entrepreneurship and subsequent **value creation** at the regional level (Fritsch 2013; Tsvetkova 2015; Autio et al. 2014).

Mack and Mayer (2016): Exploration of how **early entrepreneurial successes** in Phoenix, Arizona, have **contributed to a persistently strong entrepreneurial ecosystem** based on visible success stories, a strong entrepreneurial culture and supportive public policies.

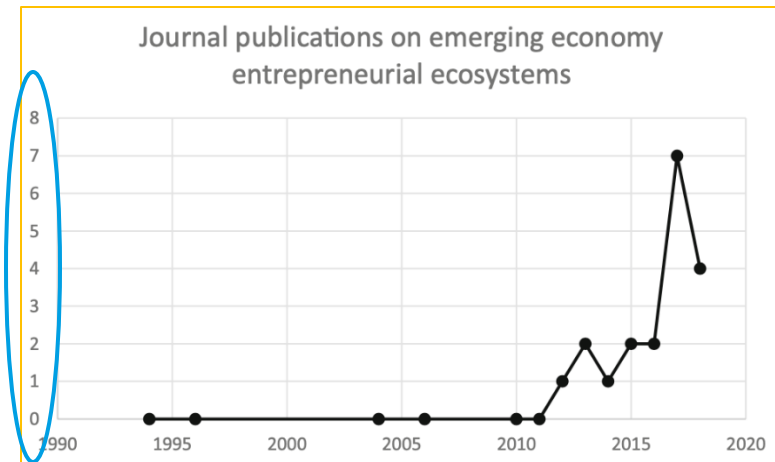
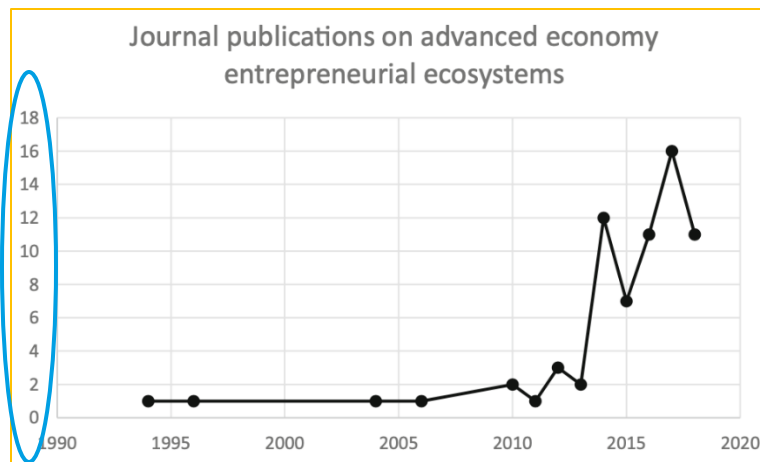
Spigel (2017): Study of entrepreneurial ecosystems in Waterloo and Calgary, Canada, suggesting that while ecosystems can have **different structures and origins**, their success lies in their **ability to create a cohesive social and economic system** that supports the creation and growth of new ventures.

Other work on regions such as Silicon Valley and Route 128 (Saxenian 1994; Kenney and Von Burg 1999), Washington DC (Feldman 2001) and Kyoto (Aoyama 2009)—even if not using the precise term ‘entrepreneurial ecosystem’—described **how contexts influence entrepreneurial success**.

Research on entrepreneurship ecosystems is rising, but there is room for further investigations especially in emerging economies

Status quo of entrepreneurial ecosystem literature

- Research has evolved at the **end of the last century** and has captured **increased attention over the last decade**
- Topic arises interest by **practitioners, policymakers and researchers**
- The phenomenon needs further investigations since research is still **atheoretical and static**
- Strong research focus on entrepreneurial ecosystems in **advanced countries** rather than in **emerging countries**, although growing recently



How does this relate to the developments in the real world?

In an entrepreneurial ecosystem, mutual interdependencies exist between entrepreneurs and other stakeholders

Combination of entrepreneurship and ecosystem perspective

Combining
entrepreneurial
activity with
ecosystems

To start new businesses in a particular region, entrepreneurs develop **mutualistic interdependencies**, e.g.

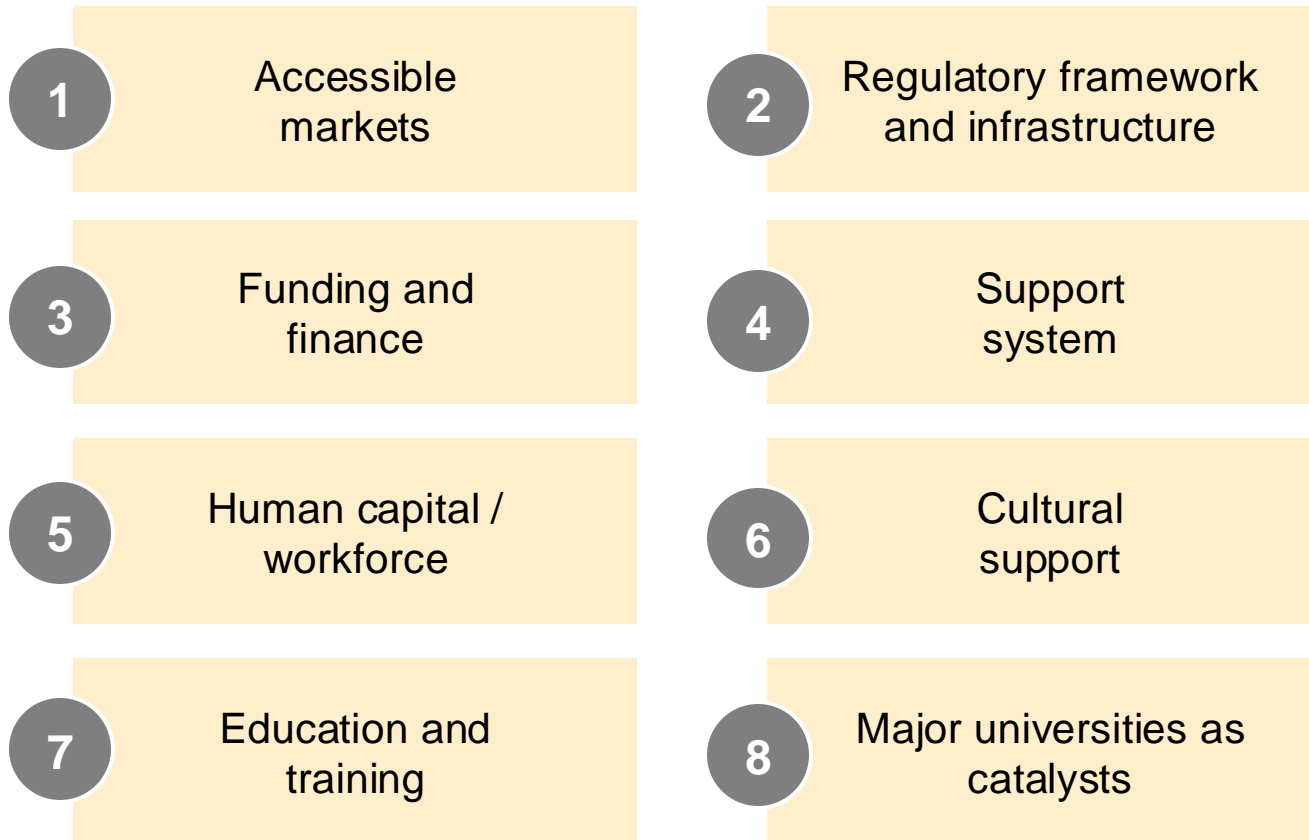
for knowledge with scientific communities,
for financial resources from venture capitalists and investors,
for competent human resources from universities/institutes,
for regulatory approval from various government departments,
for parts and distribution from supply chains,
and product sales from informed consumers.

**Entrepreneurs are not only dependent on these elements –
BUT these elements are also dependent on entrepreneurs.**

**→ All of these actors involved in these elements perform crucial roles
in developing and sustaining an entrepreneurial ecosystem.**

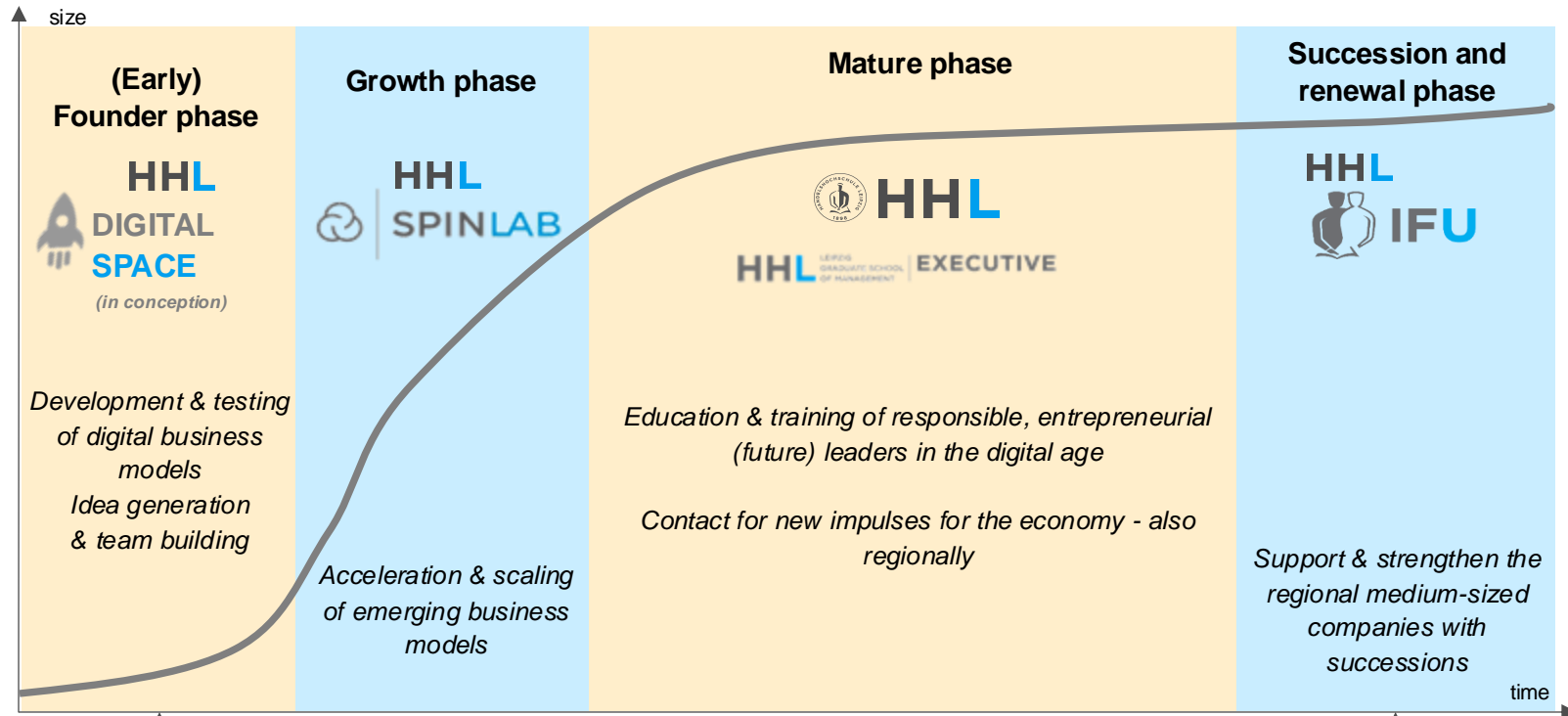
The variety of concepts on entrepreneurial ecosystems can be summarized into eight main pillars

8 pillars of entrepreneurial ecosystems



Entrepreneurship at HHL spans the whole life-cycle of a firm – including innovation and business development at corporates

Overview of HHL offerings along the corporate life cycle

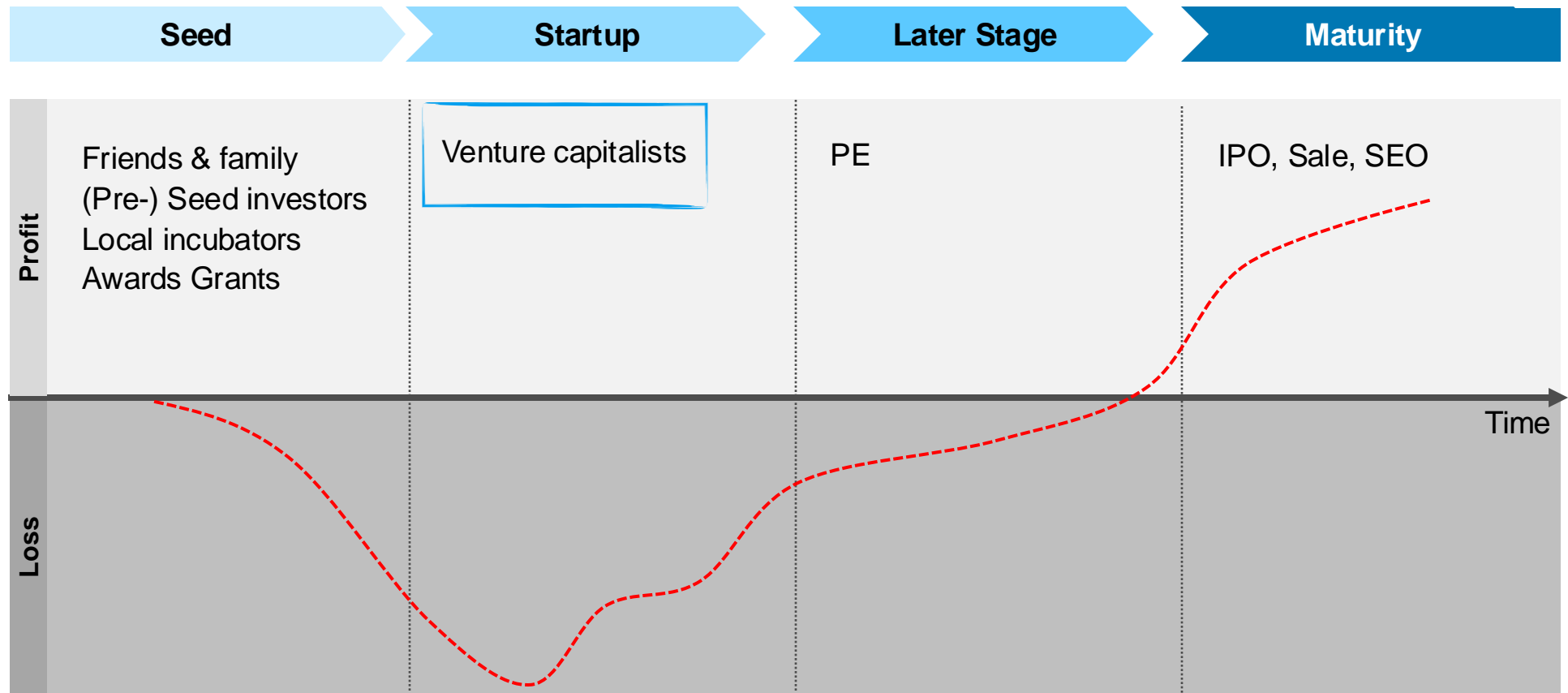


Synergies in the field of regional business start-ups and business development::

- **Start-ups** develop digital business models and are anchored regionally
- **SMEs** are supported in the digital transformation, especially in the area of digital business models

The phases of startup development over a long-time horizon reflect the need for funding sources

Funding Cycle



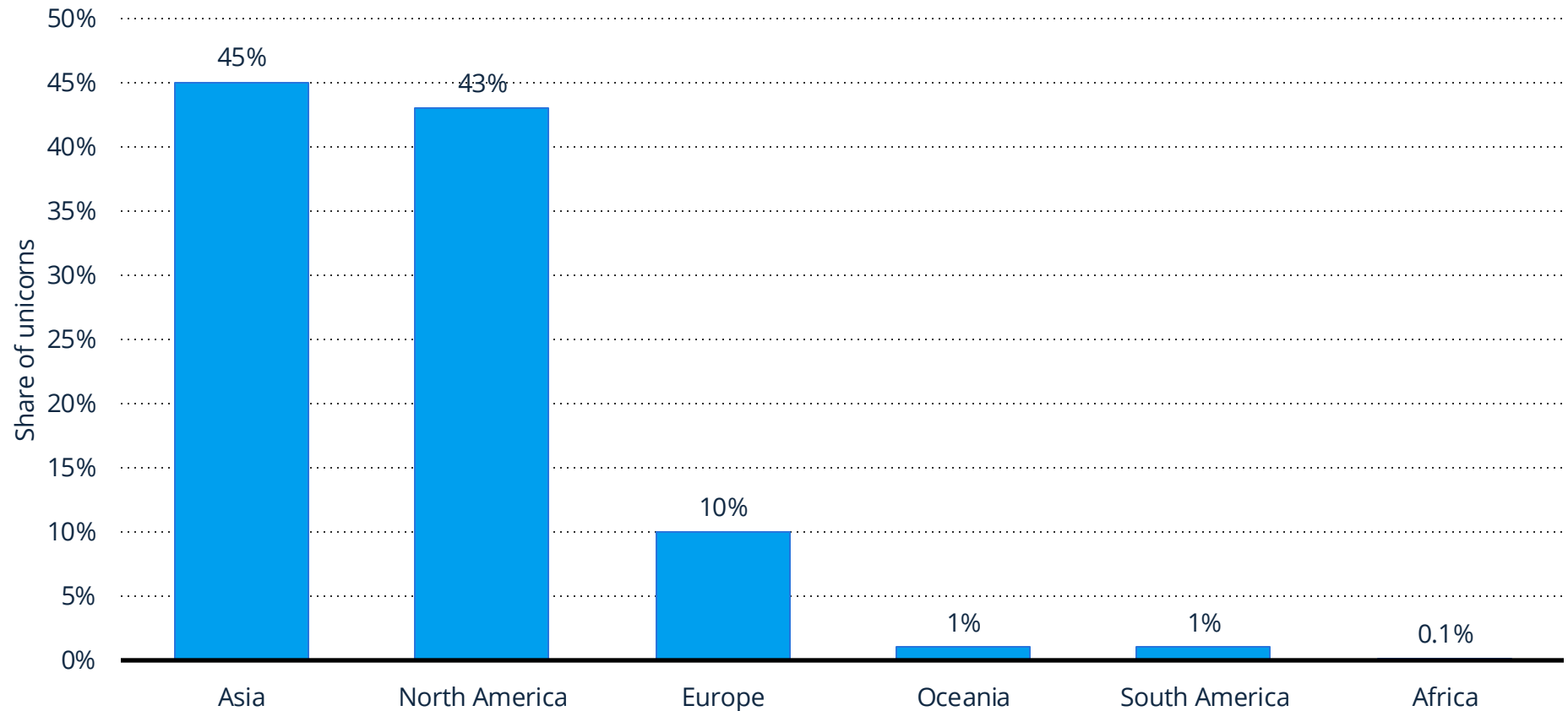
“*For a company, you need an idea, a founder and capital. We cannot replace a lack of capital with greater smartness.*”



- Oliver Samwer –
Rocket Internet

Facts and figures: Distribution of unicorns worldwide shows a clear dominance of start-ups based in Asia and North America

Share of unicorns worldwide as of 2021, by region



Numerous factors influence the growth and sustainability of start-up ecosystems – a quick literature review

Literature summary of the most influential factors for start-up ecosystems' success

Influential factors

Location

- Entrepreneurial ecosystems emerge in **locations that have USP(s) and place-specific assets** (e.g. strategic location, previous industrial expertise, closeness to large, innovative businesses)

Entrepreneurial recycling

- Entrepreneurs who sold their successful startups and **remain involved in the cluster, reinvesting their wealth & experience to create entrepreneurial activity - often becoming serial entrepreneurs**

Culture

- **Philosophy of “give-before-you-get”** has been identified as an important success factor for **knowledge sharing and a fail fast attitude** that promotes innovation & helps to fuel the ideation process of new business ideas

Finance

- Particularly important is a **critical mass of seed & start-up investors**. Again, business angels – both cashed-out and current entrepreneurs – play a critical role as deal facilitators (e.g. making the introduction to VCs)

Service Providers

- Finally, it is important not to overlook the **presence of service providers** – lawyers, accountants, recruitment agencies and business consultants – who understand the needs of entrepreneurs and can assist in avoiding stumbling blocks and **perform non-core activities that are outsourced**

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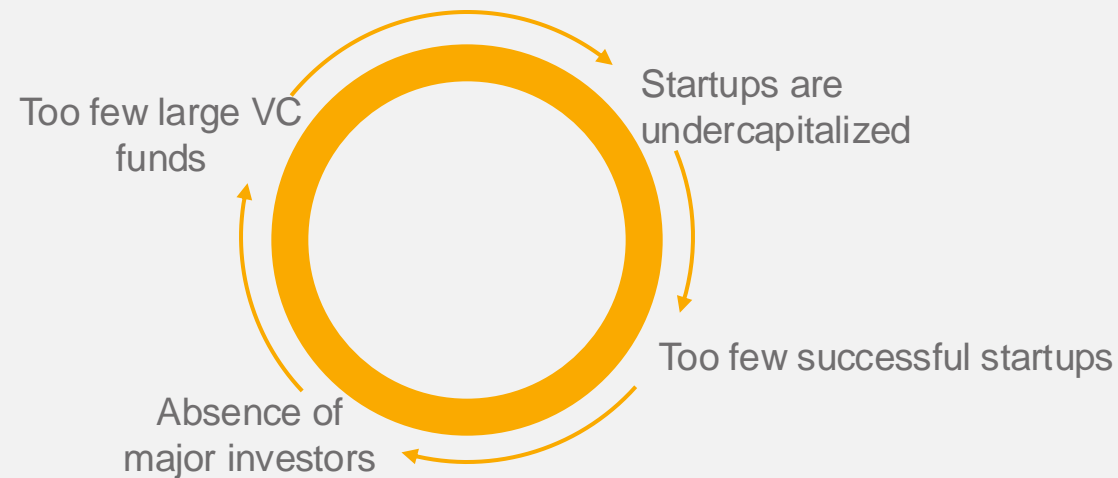
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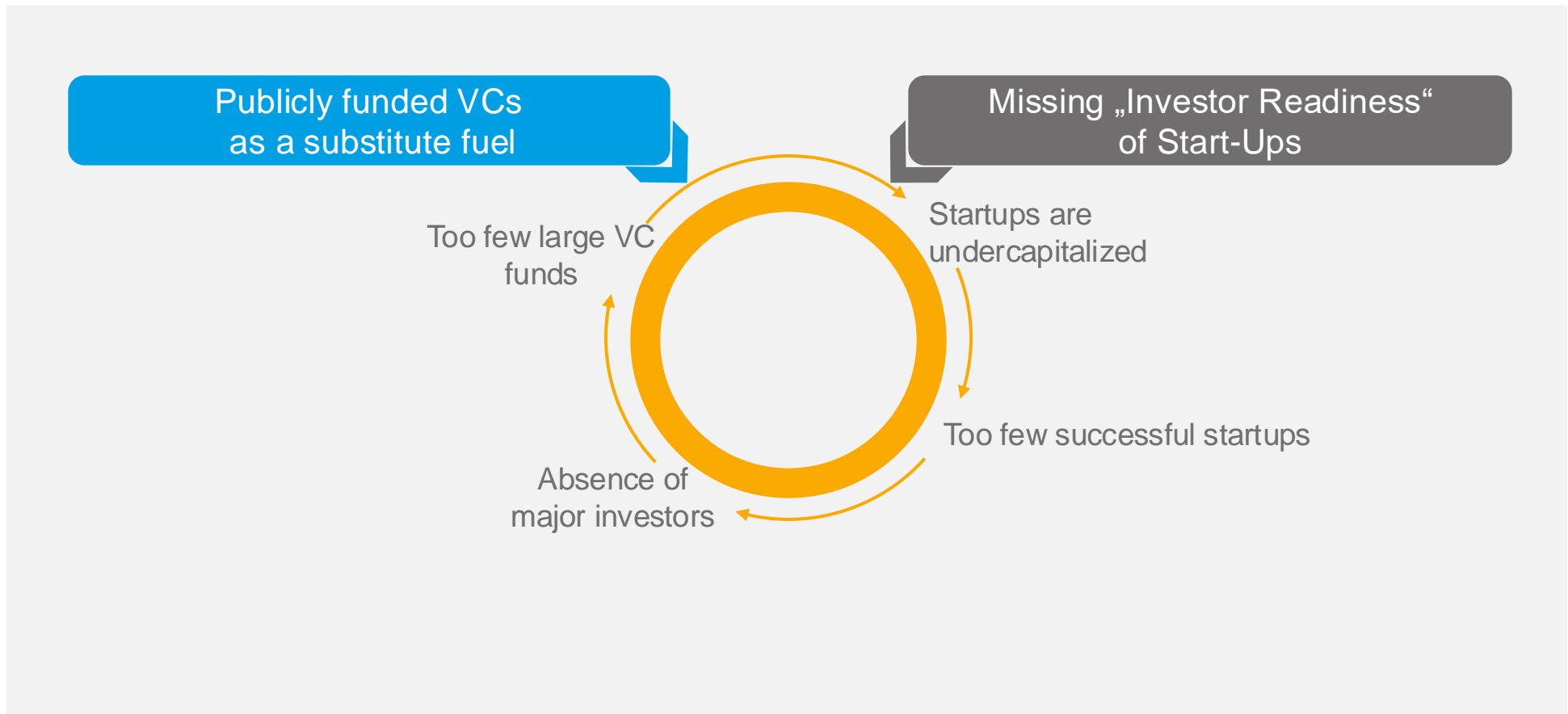
Entrepreneurial Ecosystems require the finance industry to fuel their system – in order to break the vicious circle

Challenges of Growing Entrepreneurial Ecosystems



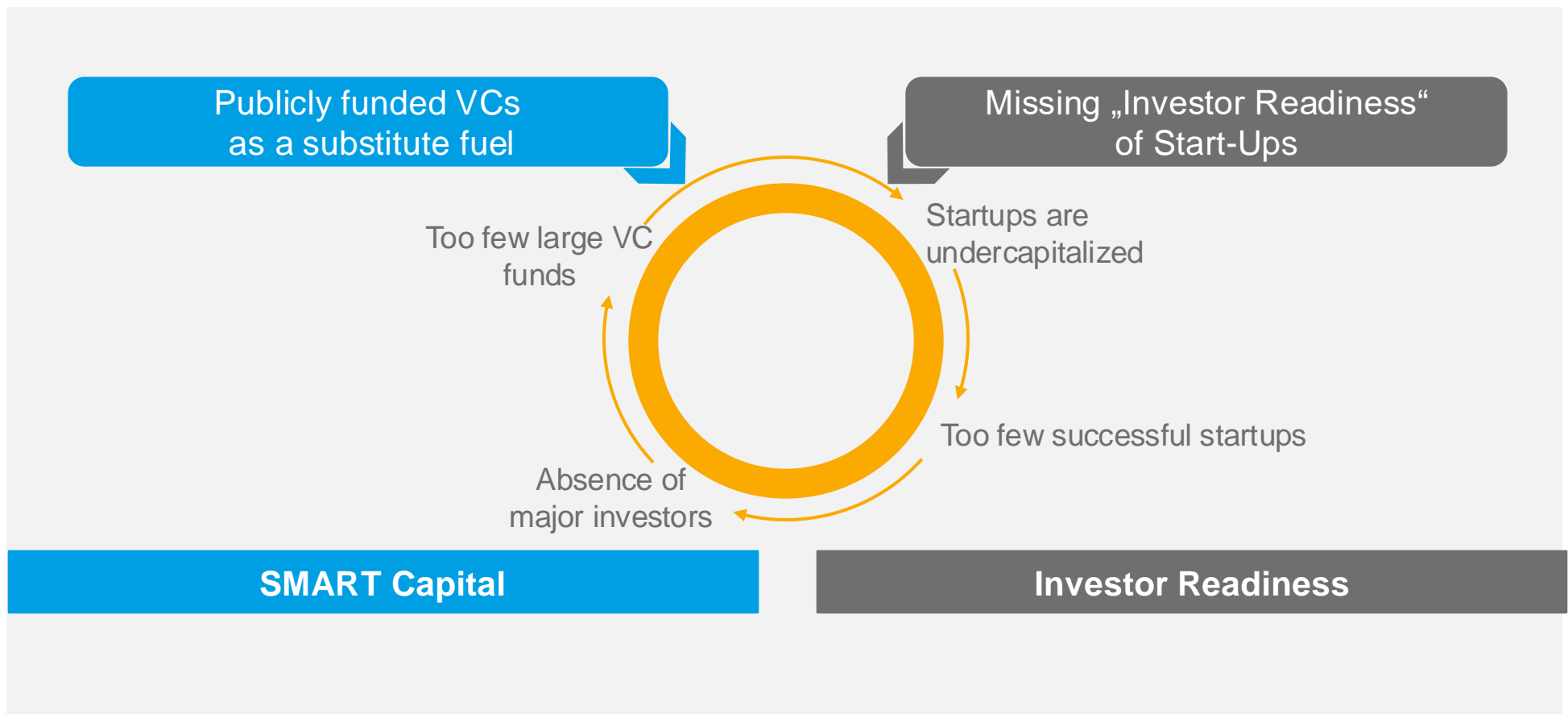
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Deep Dive: (Really) Early stage investments in people rather than companies fueled by networks of entrepreneurs

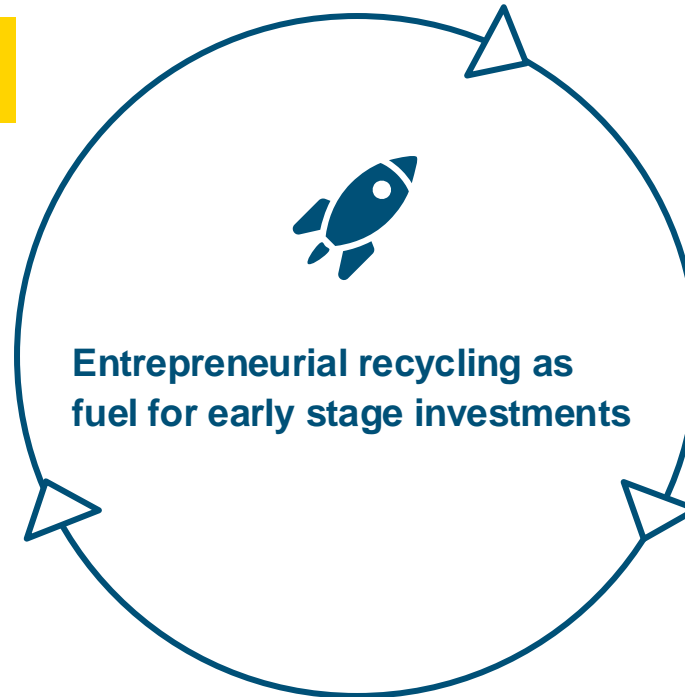
What do those three trends have in common?



EY

Venture capital and start-ups
in Germany 2020

Investors' attention to early-stage ventures increased, as evidenced by an increased number of smaller funding rounds and new funds specialized on early stage funding.



**People,
not
sectors**

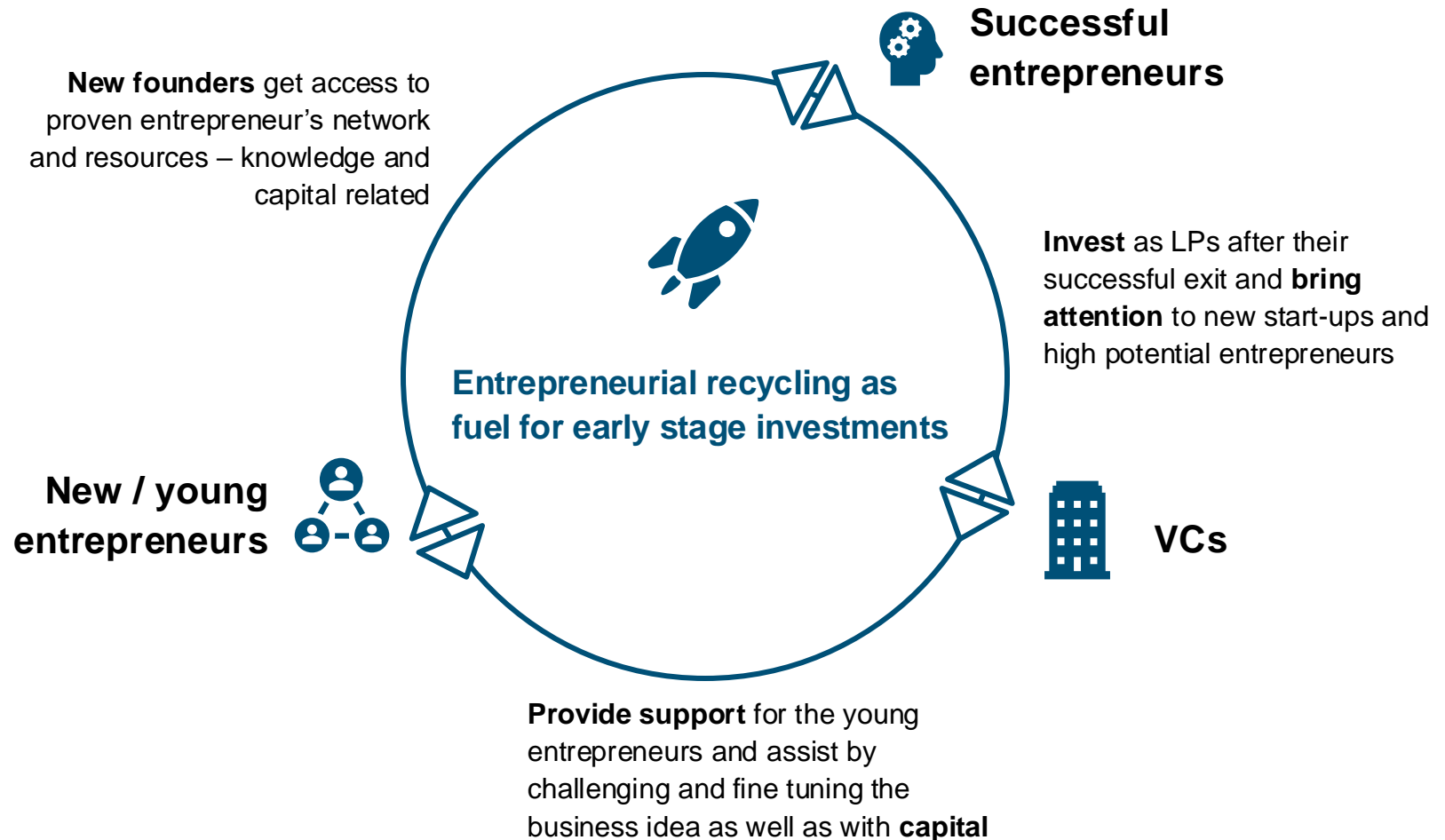
LA FAMIGLIA

We follow a unique philosophy of early-stage investing by partnering up with founders starting from day one.

P1CUS CAPITAL

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