
Entrepreneurial Ecosystems in Transitions: Through the Lenses of Local and Global Politics

Fiona SUSSAN*

Cristina MARINE**

THE GLOBAL COMPETITION challenge has become a call to action for both the private and the public sector to find innovative ways to foster entrepreneurship. In this context, the concept of entrepreneurial ecosystem (EE) has become a metaphor used to foster entrepreneurship as an economic development strategy. A functioning EE will be fueled by the synergy created by leadership, governance, and institutions aimed at mobilizing capital labor and resources. Emerging and functioning entrepreneurial ecosystems alike are the result of a rather lengthy process, not necessarily structured, in which entrepreneurs take the risks of launching their ideas and make sustained efforts to disrupt the long-standing accepted norms. They are the disrupters. The 21st century confirms Schumpeter's prescient assessment that entrepreneurs are the key agents of creative destruction and provides examples showing that EEs are characterized by continued transformation and are informed by and have a direct effect on the places where they emerge. We acknowledge the substantive contribution to the still evolving understanding of entrepreneurial ecosystem development in [Isenberg's \(2010, 2014\)](#) work; [O'Connor et al. \(2018\)](#) in their research of Entrepreneurial Ecosystems: Foundations of Place-based Renewal; and input on policy development from OECD and the European Commission.

What is an Entrepreneurial Ecosystem?

In biology, an ecosystem includes diverse factors (biotic and abiotic) that function together as a unit. With its roots in biology, an entrepreneurial ecosystem consists of a number of independent stakeholders playing different roles, yet with a common focus on cooperation aimed at optimizing their own performance. EE literature suggests two alternate ontologies and challenges us to decide whether we assume the ontological perspective that an ecosystem is

* Fiona SUSSAN, School of Advanced Studies, University of Phoenix, USA, fsussan@gmail.com

** Cristina MARINE, Faculty, University of Maryland University College, MD, USA, cristina.marine@faculty.umuc.edu.

a steady condition, naturally regulated, that maintains a balance among its elements and is open to potential disruptions from the external environment. Or, a second ontological approach that assumes ecosystems are in a constant state of flux, with dynamic shifts among their diverse elements, whose survival depends on their cooperation and reaction to the external stimuli. We agree that it is this second ontological approach in biology that is appropriate for an entrepreneurial ecosystem.

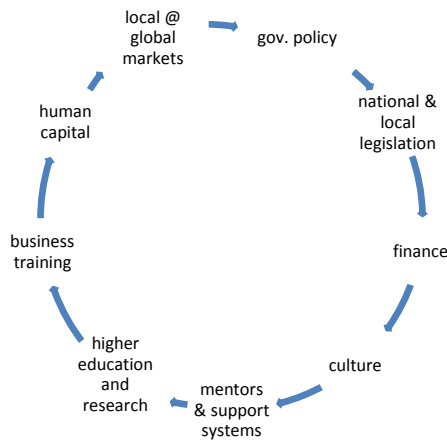
The diverse stakeholders of an entrepreneurial ecosystem have to coordinate their actions to meet their individual goals but, at the same time, they are aware that, while they are hierarchically independent, they are also interdependent. The very core of an entrepreneurial ecosystem, irrespective of its life cycle level, requires that we use a system thinking approach and identify relevant patterns in the loose organization of its actors, along with the relationships of each actor with the system. We further note that multiple uncoordinated interactions between and among the stakeholders in an entrepreneurial ecosystem may “co-produce” outputs. The entrepreneurial activity is, obviously, the first output as the result of an innovation process aimed at adding value to society; in other words, the entrepreneurial activity creates value within a social context.

Defining the entrepreneurial ecosystem also encourages us to look at some of the assumptions associated with this concept and decide which is based on fact and which is false. Isenberg challenges practitioners and researchers to take a true/false quiz and weed out the unproven myths. Of the ten entrepreneurial ecosystem related assumptions, only two can be supported with facts and evidence. These two “true” assumptions (myths) are that (1) job creation is not the primary objective of an EE and (2) the widespread challenges for entrepreneurs are access to qualified talent, multi-layered bureaucracy, and inadequate early stage capital. The other assumptions (the need for a growing number of startups, intense startup investments, the need for co-working places, intense entrepreneurial education, the negative effect of large corporations on EE, banks’ reluctance to finance startups, and the negative effect of franchises on EE) are not supported by the results of market research.

The entrepreneurs’ activity and personality will generate value by developing new products and processes needed in a social and geographical context. However, along with the entrepreneur’s personality, it is the complexity within the ecosystem that will help the entrepreneur’s venture succeed. The complexity of the entrepreneurial ecosystem is the result of the number of actors within the system and of the relationships among them. Some researchers may argue that formal institutions in the ecosystems (in the form of tangible agencies, such as laws and procedures) and informal institutions (such as values, beliefs, and culture in a given place) will facilitate

the relationships between and among the entrepreneurial ecosystem actors. The core domains of an entrepreneurial ecosystem based on Isenberg’s (2014) model will help guide our endeavor to discuss the emerging entrepreneurial ecosystems in Romania:

Figure 1 The Core Domains of an Entrepreneurial Ecosystem



Source: Adapted from Isenberg (2010); WEF (2013); Mazzarol (2014)

The global discussion on the meaning of entrepreneurial ecosystems is justified by the growing importance of fostering entrepreneurship as a key component of economic development. Entrepreneurial ecosystems evolve as dynamic communities with actors that collaborate and compete to co-create value. Mason and Brown (2013) synthesized the core elements we have discussed so far in a comprehensive definition of entrepreneurial ecosystems as

...a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms, venture capitalists, ...), institutions (universities, public sector agencies, ...) and entrepreneurial processes (...) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment. (Mason and Brown 2013: 5)

This definition includes a focus on the importance of place, the “local” environment, as noted earlier.

Entrepreneurial Ecosystems and Related Concepts

We may assume there is no need for a shared workplace for participants in an entrepreneurial ecosystem. In other words, incubators, clusters, industrial

districts, innovation systems, innovation ecosystems, and the triadic model, while sharing similarities with an entrepreneurial ecosystem also feature significant differences. This brief discussion is relevant for our research on the impact of political events on EE. Recent research work identifies key actors, key concepts, and key outcomes as critical features of these related concepts and highlight their input into the entrepreneurial ecosystem, such as networking, knowledge transfer, labor market pooling, and innovation interdependence. The main focus of industrial districts, clusters, innovation systems, and the triadic model is on the economic and social structure of the place of operation, while the innovation system's main focus is to create customer value through the independent contributions of the participating actors. The locus of action of the first group is in the private firms and state locations, and a large private firm is the main driver of an innovation ecosystem. EE observers seem to agree that startups are central to an ecosystem and embrace the idea that entrepreneurs are the core actors sustaining a functioning ecosystem.

The Relationship of Political Events and Entrepreneurial Ecosystems

Zooming out the lenses from Figure 1 and retaining the recent development of EE research, this special issue addresses the role of local and global politics in the formation of place-based entrepreneurial ecosystems. Since political happenings at both the local and global levels are not static, this issue aims to investigate the dynamic changes occurring in local or global politics that shape the development (progress, stagnation, or regress) of entrepreneurial ecosystems in any place, be it a city, a region, or a country. Major political happenings include regime change (e.g., Iran), sovereignty change (e.g., Hong Kong), war (e.g., Lebanon), social movement (e.g., the Arab Spring), new nation formation (e.g., Serbia), and many others. While happening locally, these political changes are directly or indirectly impacted by external forces beyond a nation's political decisions and control. As Figure 1 shows, research thus far in EE focuses mainly on the internal workings of a place within the boundaries of its institutions and its agents. As we know, institutions, both formal and informal, are not static. In fact, the primary antecedent relative to the dynamics of institutions and their changes are political happenings. An example that supports our positioning is the recent re-birth of entrepreneurial activities in many Eastern European countries following the collapse of the Soviet Union where communism had politicized economic life. There is a need for researchers to expand their investigation beyond static institutions to find new concepts for explaining and

understanding the influence of macro and dynamic political happenings at home and abroad in the formation of any EE.

Table 1 lists four major political events that impact EE. Beginning from the widest macro environment, global geopolitical events impact institutions and agents in any given EE. Examples are plenty. The emergence of entrepreneurial activities in many nations of Africa in recent years is not merely a result of local entrepreneurs. These entrepreneurial activities are linked to foreign aid programs and foreign policy strategies of countries such as the U.S. In other words, the growth of EE in Africa and the Middle East was not accidental or home-grown, but rather a result of global geopolitical events. The impact on institution may include local government setting up infrastructure or conducting major reforms to support EE. The impact on agents is mainly through foreign expat entrepreneurs interacting with local entrepreneurs, and, in some cases, returning migrants also play a key role in EE building.

Table 1: Political Events, Institutions, and Agents

<i>Political Events</i>	<i>Institution</i>	<i>Agents</i>
Global Geopolitical Event	Reform	Absorb knowledge spillover from expats
Regional Integration	Slow process of integration	Chase-up mindset can translate to extra effort or give up
Sovereignty Change	New constitutions, new legal systems	Political instability negatively impacts intentions, attitude, and activities
Political Parties (Change of government)	Regulations change	Enable or hinder activities depending on policies

Source: Authors' own configuration

The next level of political events is regional integration, as evidenced in EU. The impact on institutions and agents is complex. The process of institutional compliance for regional integration is long and painful. There are many advantages of regional integration in supporting EE in terms of formalizing infrastructure to enable agents' easier access to knowledge and resources, but there are also many disadvantages of regional integration to the extent that less developed countries within the region continuously fall behind. The discussion is beyond the scope of this special issue.

Another major political event is sovereignty change that will impact EE. Sovereignty changes trigger major changes in a country's system to include

constitution change and legal system change that will impact many of the tactical functions within EE infrastructure. For example, when a legal system changes, laws about property ownership and IP ownership will directly impact entrepreneurial activities. Also, sovereignty change is linked to political instability which, in turn, impacts entrepreneurial spirits to the extent that potential entrepreneurs will delay startups or delay scale-up.

The last major political event is government change. In the setting of a stable democracy, political party change in government also triggers national policy changes that will impact institutional and agency changes. A change in national policy, however, needs to be executed and implemented by local governments. The impact on agents can be positive or negative depending on national policies.

Articles in This Issue

The call for papers for this special issue has invited scholars to 1) Identify and examine the elements of local and global politics that directly and indirectly impact an entrepreneurial ecosystem. For example, how does sovereign change impact public resource allocation that, in turn, affects entrepreneurs' access to both tangible and intangible capital? 2) Explain longitudinally how these elements and the interactions of these elements make specific contributions or become obstacles to an entrepreneurial ecosystem. For example, how does regime change impact the rule of law that directly or indirectly impacts agents' capability to start, grow, or maintain a business? 3) Address the tensions between local and global politics and explain how such tensions enable/hinder entrepreneurial ecosystem development at both the institution and agent levels; 4) Compare and contrast place-based entrepreneurial ecosystems that are subject to similar political happenings. For example, how does the sovereignty 'changing hands' impact agents' entrepreneurial spirits? And, 5) Chronicle the historical impact of political happenings on the workings of institutions within an entrepreneurial ecosystem, specifically to examine the resilience of institutions and their impact on entrepreneurial agents. For example, what are some of the lasting impacts of colonialism on entrepreneurial ecosystems? We have selected five articles for in this issue that will deliver new insight into how politics enables/hinders the workings of an entrepreneurial ecosystem to include its agents, innovations, social networks, institutions, and the interactions among them.

Romania – EU Impact

The article “Regional Entrepreneurial Ecosystems in EU Markets: The Case of Romania” reviews the entrepreneurial environment in Romania. Cristina Marine’s research focuses on Romania’s diverse eight macro administrative regions and investigates the entrepreneurial activities in the Romanian market. The author reflects on features that distinguish the Romanian entrepreneurial ecosystem from the EEs in other EU markets so that she may suggest practical managerial solutions to speed up the EE development in the country’s eight macro-regions. Marine underscores the importance of Romania’s accession to the European Union in 2007, in the context of the fifth enlargement wave, and posits that the EU impact on the Romanian market has been significant, with immediate short- and long-term effects. Relying on a host of reliable sources, such as Global Entrepreneurship Monitor (GEM), the Entrepreneurship Barometer by Ernst & Young, the European Commission (EC) reports, and scholarly work providing abundant information on the uneven evolution of the entrepreneurial activities in Romania, the author notes that inherited and circumstantial conditions created challenging road blocks in Romania’s path towards a strong democracy based on a free market system. Marine opines that the political parties have not reached the maturity needed to address the challenges of a free market economy. The author looks briefly through the historic lens and argues that, despite on-going challenges, entrepreneurship is expanding its footprint in the Romanian market. The Romanian born author may be guilty of a slight bias as she makes a sustained effort to underscore the encouraging EU recorded data demonstrating the positive results of the entrepreneurs’ persistent activities. Discussing the SME growth in the Romanian market, Marine quotes the data from the EC’s Small Business Act’s most recent fact-sheets for Romania that indicate that Romanian SMEs’ value added increased by 44.6% between 2012-2016, with an 86.6% increase in value added for micro firms. The author also notes that, according to the World Bank, concerns about ineffective governance, corruption, and weak administration continue to limit the country’s competitive advantage.

Japan – Political Party Change and Its Impact on Japan’s EE

In their paper titled “Political parties, municipalities regulations, and Startups,” Nakagawa, Shibusawa, and Sussan use the political event of 2012 national election and subsequent political party change and measure its impact on EE. The authors chronicle the historical timeline of legislation related to small and medium-sized enterprises (SMEs) at the local government level, and measure their impact on startup rates. The authors begin the paper by developing a conceptual model depicting the workings from political party

change leading to policy change, trickling down to the local level, and then use multiple regression models to show the relationship among startup rates, municipalities, and regulations, over two time periods. Nakagawa and his co-authors point out that, in the wake of two decades of stagnant economic growth, the government has tried to promote a favorable entrepreneurial environment through structural reforms and expansionary macroeconomic policies. Highlighting political party dominance during two periods of time, 2009-2012 and 2012-2014, provides the necessary context to understand the impact of policies on EE under the two leading political parties. The paper underscores the positive results of the Basic Act for Promoting Small Enterprises and the Act for Assisting Small Enterprises and shows that local government entities, both prefectural and municipal, gradually realized the significance of their roles in nurturing the entrepreneurial environment. The paper records the trends in the startup rate based on the five waves of Economic Census for Business Activity since 2001 and provides a succinct discussion on the different trends in startup rate and their relations to promotion regulations supported by municipalities.

Institutional and Agency Balance in EE - Macao

In the article titled “Balancing Institutional and Agency Dominance in EE: A Conceptual Framework and a Case Study of Macao,” Fiona Sussan introduces a new lens to conceptualize the study of EE. Extending organizational stakeholder theory, the article proposes a new 2 (institutional dominance: high, low) x 2 (agency dominance: high, low) conceptual framework to depict EE that are inertia, top-down, bottom-up, and co-creation. The author then applies this new conceptual framework to track the evolution of EE in Macao for the past 50 years. Using the periodization method, the author selects critical political events and identifies them as turning points that have transformational effect on EE development. Sussan argues that the turning points in Macao’s history (1961- designating gambling monopoly, 1999 -handover from Portuguese rule to China, and 2003-ending of gambling monopoly) have a significant impact on the institutions and agents that shape Macao’s EE in those years. The 1960s and 1970s were classified under the high agency-dominance/low institution-dominance cell in the conceptual framework; the 1980s and 1990s were classified as inertia with low activities of both institutions and agents in EE; and the 2000s onwards belong to high institutional-dominance and low agency-dominance. Sussan concludes that Macao has the potential to enter co-creation EE stage in the near future, as Macao is already endowed with high institutional-dominance.

India – Political Leadership and EE

India holds a special place in the global markets: it is the largest democracy, with a population of 1.2 billion and, according to the World Bank, India boasted the world's sixth largest gross domestic product (GDP) in 2016. Subhashis Nandy's research traces the links between recent political events in India and the subsequent development of a healthy entrepreneurial ecosystems. The author builds his findings on extensive literature research with rich examples showing that the strong performances of entrepreneurial companies in the Information Technology (IT) industry that were prevalent in the southern regions have been complemented with new entrepreneurial centers in other regions of the country. The author highlights the success of entrepreneurial communities in Bangalore and Hyderabad which have benefited from institutional support, the agents' positive attitude, and culture.

Nandy underscores the positive influence on regime change in India following the election results of 2014. Narendra Modi, a successful entrepreneur himself, has also served as an effective chief minister (chief executive) of one of the most entrepreneurial and economically successful states of India and was promoted as the top leader of the BJP before the 2014 national elections. Modi was extremely popular among the electoral masses in the populated northern and central states of India. The author use data from multiple sources and include many informative tables that highlight the main business categories in which India has made significant progress in 2018, illustrate the ranking of India's states in the category of 'ease of doing business', and include a selective inventory of newly registered private companies in the top ten entrepreneurial states in India. Based on the latest positive developments in India's entrepreneurial environments, Nandy opines that the societal value toward "Entrepreneurship as a Good Career Choice" in India has increased between 2015 and 2016 as a result of national and local government support.

Morocco – Geopolitical Impact

Louis Daily and Fiona Sussan use geo-political lens to investigate the EE of the Kingdom of Morocco. The authors discuss the significance of foreign assistance as a soft policy tool in a target region or country and point out that Morocco is a good example since the US foreign policy interests have been translated in significant foreign assistance programs. The research offers an insightful background of Morocco, with a brief literature review, and analyzes the US influence on the Moroccan indigenous EE development. Daily and Sussan posit that the US efforts to influence MENA EE could fall under the dependency theory or under neo-colonialism. Morocco's foreign relations and the Kingdom's strong economic ties to the West play a part in the upsurge in

entrepreneurial activity in Morocco and generate economic and political benefits. The authors note that, as one of the 16 partner countries in the EU’s European Neighborhood Policy, Morocco is engaged in bilateral and regional cooperation. The sustained, *albeit* slow, growth of Morocco’s EE has benefited from the support of USAID’s programs and, despite excessive regulations and corruption, foreign investment has been increasing. The authors use data from Global Entrepreneurship Monitor results showing that, at the societal level, Morocco ranks 7th out of 65 countries surveyed that view entrepreneurship as a good career choice. The authors provide an extensive list of active current entrepreneurs and their firms in Morocco and highlight that Morocco is considered a *startup heaven*. The authors conclude that Morocco’s EEs are expanding and show significant growth potential.

Conclusion

The articles in this special issue provide examples of our conceptualization of how political events impact institution and agents. Daily and Sussan’s article on Morocco addresses the impact of geopolitical activities on Morocco’s EE, addressing the second row of Table 3. As there is evidence of returning migrants in Moroccan’s EE, it will be interesting to further investigate the sustainability of these returnees in continuing developing Morocco’s EE. Marine’s article on Romania addresses regional integration and its impact on institutions and agents in Romania’s EE, addressing the third row of Table 3. Sussan’s article on the sovereignty change in Macao captured the low entrepreneurial spirit when the handover of sovereignty was being negotiated. Finally, the two articles on Japan (Nakagawa, Shibusawa, and Sussan) and India (Nandy) highlighted the impact of national election results (political party change) and their impact on EE in Japan and India. Entrepreneurial activities increase in both countries with positive policy changes favoring entrepreneurship.

Table 3: Political Events and Their Impact on EE in This Issue

<i>Political Events</i>	<i>Institution</i>	<i>Agents</i>
Global Geopolitical Event (Daily and Sussan – Morocco)	Reform	Absorb knowledge spillover from expat
Regional Integration (Marine – Romania)	Slow process of integration	Chase-up mindset can translate to extra effort or give up
Sovereignty Change (Sussan – Macao)	New constitutions, new legal systems	Political instability negatively impacts intentions, attitude, and activities

Political Parties (Change of government) (Nakagawa, Shibusawa, and Sussan; Nandy)	Regulations change	Enable or hinder activities depending on policies
--	--------------------	---

Source: Authors' Own Configuration

The articles in this special issue demonstrate that political events, local or global, have significant impact on the ecosystem of institutions and agents that are engaging in entrepreneurial activities. Substantial data from a variety of sources were collected from Morocco, India, Romania, Macao, and Japan to illustrate the impact of political events on entrepreneurship. Both quantitative and qualitative methods were used to analyze the impact of political changes on EE within a shorter time window (e.g., 3 years per period in Japan) and a longer time window (e.g., 50 years in Japan). Future research should continue to investigate current political events such as Brexit, the Arab Spring and their impact on EE.

References

- Ács ZJ, Szerb L and Autio E (2016) Global Entrepreneurship Index. Available at <http://ifuturo.org/documentacion/Global-Entrepreneurship-Index-2016.pdf>. (accessed 15 August 2018)
- Autio E and Thomas DW (2013) Innovation ecosystems: Implications for innovation management. Available at <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199694945.001.0001/oxfordhb-9780199694945-e-012>. (accessed 15 August 2018)
- Hwang H and Powell WW (2005) Institutions and entrepreneurship. In: Alvarez SA, Agarwal R Sorenson O (eds) *Handbook of Entrepreneurship Research*. International Handbook Series on Entrepreneurship 2. Springer, Boston, MA
- Iserberg D (2014) What an EE actually is. Available at <https://hbr.org/2014/what-an-entrepreneurial-ecosystem-actually-is> ((accessed 15 August 2018)
- Mack E and Mayer H (2016) The evolutionary dynamics of entrepreneurial ecosystems. *Urban Studies* 53(10) pp.2118-2133. (accessed 15 August 2018)
- Mason C and Brown R (2013) Entrepreneurial ecosystems and growth-oriented entrepreneurship. Available at <https://www.oecd.org/cfe/leed/Entrepreneurial-ecosystems.pdf> (accessed 15 August 2018)
- McKenzie B and Sud M (2009) Prolegomena to a new ecological perspective in entrepreneurship. *DigitalCommons@Fairfield*. Available at

Entrepreneurial Ecosystems in Transitions

<http://digitalcommons.fairfield.edu/business-facultypubs/86/> (accessed 15 August 2018)

O'Connor A, Stam E Sussan F and Audretsch DB (2018) Entrepreneurial ecosystems: The foundations of place-based renewal. In: O'Connor A, Stam E Sussan F and Audretsch D (eds) *Entrepreneurial Ecosystems. International Studies in Entrepreneurship* 38. Springer.