

COURSE 6: THE ELEMENTS OF THE EE ACCORDING TO THE ISENBERG MODEL

INTRODUCTION

There are numerous definitions of what the entrepreneurial ecosystem is and how it functions. One of the most frequently used models was developed by Daniel Isenberg. According to him, the entrepreneurial ecosystem consists of six domains: policy, finance, markets, human capital, support and culture.

THE ELEMENTS OF THE EE

Isenberg emphasises that every entrepreneurial ecosystem is unique as it develops under ideosyncratic circumstances. ‘They are geographically bounded but not confined to a specific geographical scale’, which means that they can refer to a nation or be limited to smaller geographical areas, e.g. cities. In addition, there are examples of industry specific ecosystems, but also ones that span various industries.

The entrepreneurial ecosystem is defined as a product of three elements:

1. the surrounding environment, more precisely the business environment and investment climate,
2. its interacting actors, and
3. the evolving culture and attitudes.

Figure 1: The business and investment climate

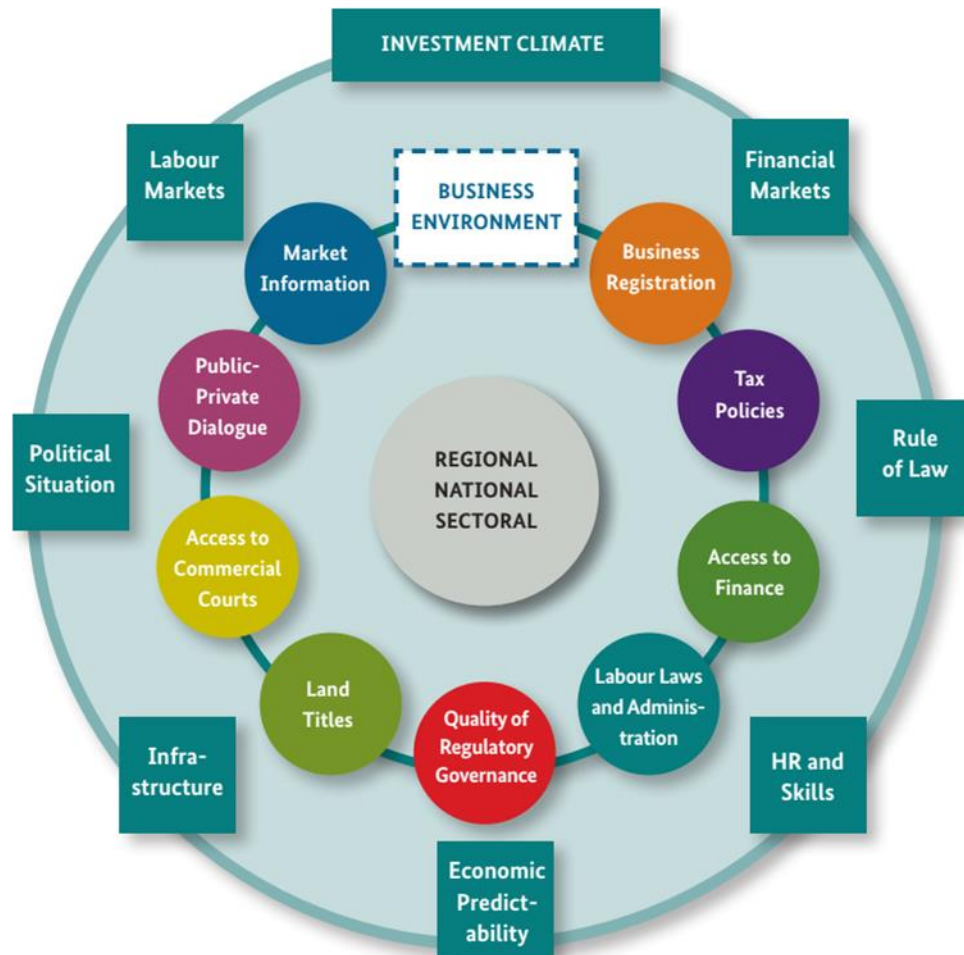


Figure 2: The three elements of the entrepreneurial ecosystem

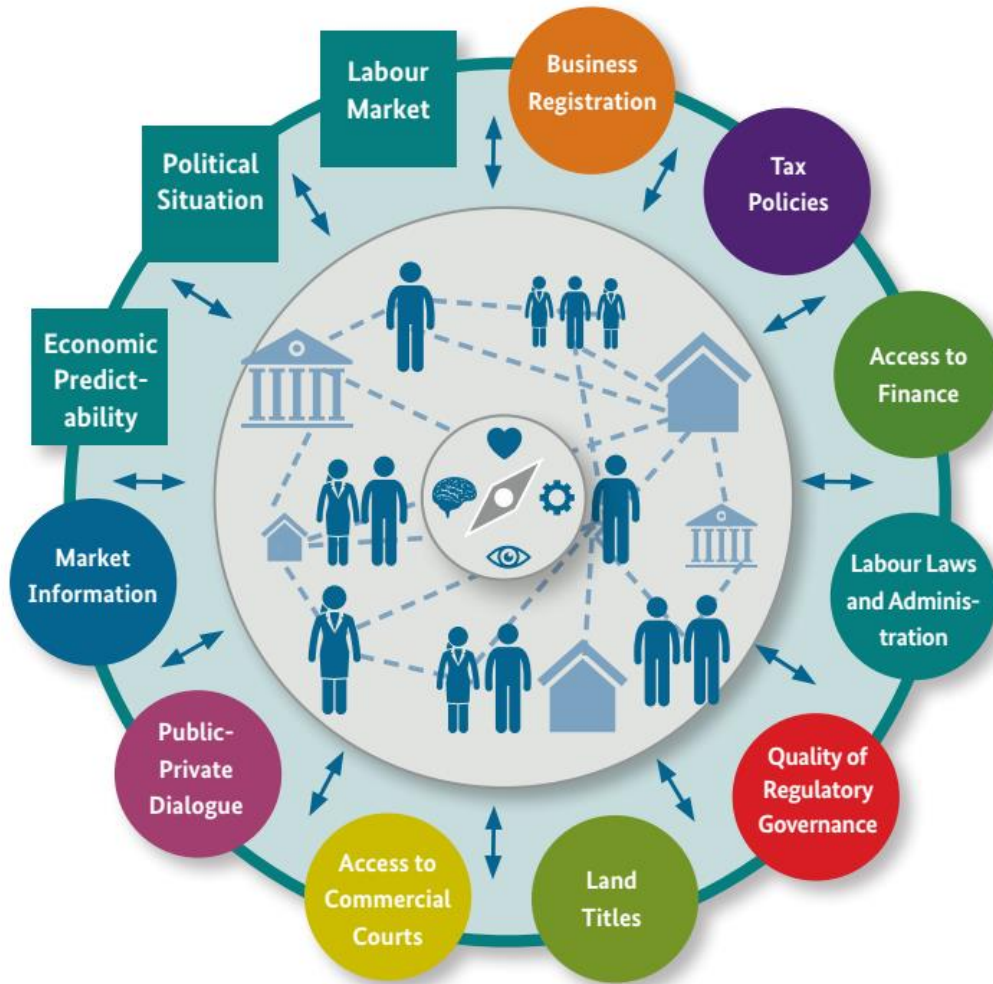


Figure 3: The Isenberg ecosystem domains



Isenberg (2011) has categorized these various elements into six main activities. These activities are: policy, finance, culture, institutional and infrastructural supports, human capital and markets.

Let us learn them in detail:

1. Policy: The government regulatory domain plays a pivotal role in deciding the structure of the entrepreneurial ecosystem to the extent that governmental policy can make or break the ecosystem. The regulatory policy framework element consisting of components such as the ease to start a new business with respect to licenses and registrations required, tax incentives including tax holidays available to new start-ups, laws that are conducive to business growth, determines the ability to open and expand new businesses. The government policy helps in attracting the entrepreneurs to initiate the venture. If ease of doing business is favourable, the entrepreneur may be encouraged to start the new venture.

2. Finance: The supply and accessibility of financial reserves for entrepreneurs is crucial not only at the initial incubation stage but also help in maintaining their growth trajectory. Finance is required when the entrepreneurs need to acquire more resources like recruiting people, or buying or leasing capital assets as well as raw materials, or investing in marketing and sales. These financial reserves can range from the traditional sources like friends and family to the relatively modern forms like angel investors, private equity partners or venture capital as well as access to debt from banks/FIs or open markets. Needless to add that a wider and greater availability of financial resources accelerates the scaling up of the business growth.

3. Culture: The culture of any region is the soul of the entrepreneurial ecosystem that takes form in the region. It is said that an entrepreneurial ecosystem without a strong cultural support for entrepreneurship lacks the impetus to carry ahead for long. Cultural aspects like cultivating a positive image of entrepreneurship, having an inherent spirit of selfreliance with a preference for self-employment, tolerance of failure of entrepreneurship by developing adequate risk-appetite, culture of research and innovativeness and celebrating the success stories of role models provide the support system for the entrepreneurial ecosystem to prosper.

4. Institutional and Infrastructural Supports: The institutional and infrastructural supports consist of the various formal and informal agencies that help in business creation and their expansion. These may be physical infrastructures like transportation in the form of roadways, railways and air connectivity which provide the requisite accessibility. Similarly the internet connectivity to the World Wide Web which serves as the medium for information exchange. Besides this the support system consists of agents providing professional services like financial planning, accounting, human resources, legal advisers etc. which team up to form the entrepreneurial networks.

5. Human Capital: The human capital represents the quality and quantity of the workforce available at the disposal of the entrepreneur. Human capital is a multifaceted element and depending on the specific skill set that the workforce possess, gives shape to the type of working environment that it can generate. The various components of this domain are the management and technical talent pool available, the level of education and training especially technical education and training that the workforce holds, the experience the entrepreneurs possess, ease of access to immigrant workforce etc. Nurturing of the human capital is essential to sustenance of the ecosystem.

6. Markets: A receptive market setup consisting of customers who create the requisite demand is essential for the businesses to grow. Entrepreneurial ecosystems need access to such markets with the presence of the appropriate customers who are willing to pay for the entrepreneur's products and services. These markets can be domestic as well as foreign markets, wholesale or niche markets, small, medium or large markets where individuals, businesses as well as institutional market participants can interact and transact.