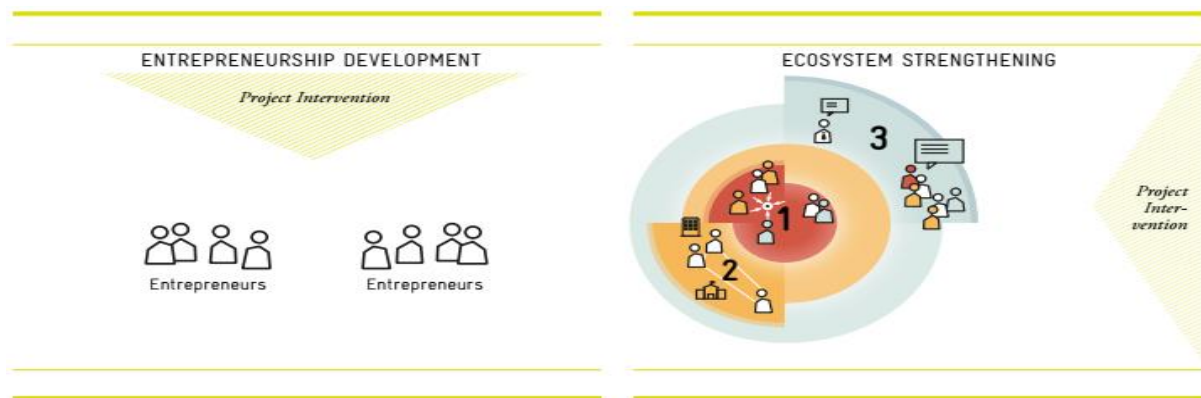


COURSE 9: STRENGTHENING THE ENTREPRENEURIAL ECOSYSTEM-THEORIES

1-THE DIFFERENCE BETWEEN SUPPORTING ENTREPRENEURS AND STRENGTHENING ECOSYSTEMS

Entrepreneurship development and strengthening ecosystems are not exclusive approaches, but they are focused on different targets. For example, the entrepreneurs are the primary and sometimes direct beneficiaries in entrepreneur support programmes. Programme interventions may encompass technical and soft-skill training courses for entrepreneurs, coaching, financial support and support in accessing markets.

However, in ecosystem programmes, the focus is on the system itself, on its different elements and on improving its overall functioning as a system. Here, entrepreneurs are the secondary beneficiaries since they profit from a healthier ecosystem, but in both cases, it is the entrepreneurs who benefit.



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There is an advantage in directly supporting entrepreneurs, since this allows more control of how the programme impacts on beneficiaries, but the programme tends to be limited in its reach. Ensuring the sustainability of programme interventions can also be difficult – and there is a risk that they may crowd out existing stakeholders. Nevertheless, a case can still be made for supporting entrepreneurs directly, such as in situations where no ecosystem currently exists, or where a proof of concept should be put in place.

STRENGTHENING ECOSYSTEMS Vs SUPPORTING ENTREPRENEURS

ADVANTAGES OF	
... STRENGTHENING THE ECOSYSTEM	... PROVIDING DIRECT SUPPORT TO THE ENTREPRENEURS
<ul style="list-style-type: none">› Effectiveness – Ecosystems are crucial for entrepreneur growth, since entrepreneurs benefit from interactions, and knowledge flows within the system. Strengthening the ecosystem will thus have significant long-term impacts on entrepreneur growth.› Scope – Supporting local ESOs will create more intensive multiplier effects on entrepreneurs.› Ownership – Supporting local players in the building and strengthening of the ecosystem in line with their common purpose and vision will lead to a higher level of ownership and thus to an increased level of sustainability in the interventions themselves.	<ul style="list-style-type: none">› Time – Directly supporting entrepreneurs will generate faster impacts at the entrepreneur level.› Monitoring – Supporting individual entrepreneurs will make it easier to collect data on results and make an impact at the entrepreneur level.› Piloting & testing – Piloting new types of interventions and creating demonstration effects is best done by working directly with a group of entrepreneurs.

2-THEORIES

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<p align="center">Table 2 SUMMARY OF THEORIES AND THEIR RELEVANCE IN ENTREPRENEURIAL ECOSYSTEMS RESEARCH</p>		
Theory	Theory Description	Theory's relationship to entrepreneurial ecosystem
Cluster Theory	The geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate (Porter, 2000)	The companies and specialised suppliers may be components of the entrepreneurial ecosystem, while the cluster of small firms may represent the ecosystem itself. As a result, cluster theory is relevant in entrepreneurial ecosystems research.
Process Theory	Process theory accounts for the change processes which occur within an organisation as it grows and develops from one stage to another. Therefore, it is an explanation of how and why an organisational entity changes and develops (Van de Ven & Poole, 1995). Process theory simply explains the evolution of organisations, businesses, systems over time.	Process theory is relevant in the study of entrepreneurial ecosystems because ecosystems can be understood as ongoing processes through which entrepreneurs acquire resources, knowledge, and support, increasing their competitive advantage and ability to scale up (Spigel & Harrison, 2018). As these new ventures grow, they contribute to the overall strength of the entrepreneurial ecosystem (Spigel & Harrison, 2018).
Resource Dependence Theory	All organisations depend on resources for survival and these resources do not appear from space, these resources are produced by other organisations. Therefore, organisations rely on other entities that control resources that are critical to their operations but over which they have limited control (Johnson, 1995)	The resource dependence theory is relevant in understanding entrepreneurial ecosystems because the ecosystem's components rely on resources for survival, and the majority of these resources are exchanged or obtained through the interaction of the ecosystem's components.
Social Capital Theory	The social capital theory holds that social relationships can be resources that contribute to the development and accumulation of human capital (Machalek & Martin, 2015). One important aspect of social capital is its ability to provide resources that benefit a specific group of people who are in a relationship, such as members of a network (Bourdieu, 1986; Putnam, 1993).	In line with the definition of social capital advanced by scholars, entrepreneurial ecosystem components cooperate through relationships (social relationships, which are already a resource) for a productive and mutual benefit (Neumeyer, Santos & Morris, 2019); moreover, social capital exists in the relationship between and among actors.

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Systems Theory	It is a conceptual framework based on the principle that the parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation (Wilkinson, 2011)	Systems theory is relevant in entrepreneurial ecosystems research because entrepreneurial ecosystems are made up of elements (components) that cannot function well in isolation and, as a result, must interrelate with one another to result in a successful or well-functioning entrepreneurial system, just as the elements in a system do (Daniel <i>et al.</i> , 2018)
Network Theory	Network theory examines the relationships that exist among actors rather than their characteristics (Fredericks & Durland, 2005); as such, it focuses on a multilevel analysis. It captures only the relationship between individual components of the entire system and nothing else.	The application of a network theory in the entrepreneurial ecosystem is thought to be relevant since an entrepreneurial ecosystem is made up of distinct components that interact with various network setups (Purbasari <i>et al.</i> , 2020a).
Knowledge Spill Over Theory	The interactions between individuals and businesses, as well as their proximity to one another, produce the greatest likelihood of knowledge spillover (Van Stel & Nieuwenhuijsen, 2004). Knowledge does not just float around in the air; it circulates in networks (Alvedalen & Boschma, 2017). Entrepreneurial behaviour is a response to profitable opportunities from knowledge spillover (Acs <i>et al.</i> , 2013).	Entrepreneurial ecosystems imply some form of social interaction that occurs continuously between the ecosystem's components (Jones & Ratten, 2021). New firms are likely to form in an entrepreneurial ecosystem based on the interactions of the ecosystem's components because knowledge circulates in the interactions of the ecosystem's components.
Stakeholder Theory	Stakeholder theory emphasises the interconnected relationships that exist between a business and its stakeholders, which include suppliers, customers, employees, investors, communities, and others who have a controlling interest or are affected by the business's activities. The theory contends that organisations should generate value for all stakeholders, not just shareholders (Freeman, 2018)	Entrepreneurial ecosystems emphasise the interconnected nature of their components (which can be the stakeholders) and failing to recognise this interconnected nature of ecosystem components can result in unfavourable outcomes. This implies that all of the components must remain connected for the entrepreneurial ecosystem to develop and grow as a whole.
Social Network Theory	Social network analysis examines the relationships between entities; these entities could be organisations, individuals, groups, industries, and components (Jaafar <i>et al.</i> , 2009; Wasserman & Faust, 1994).	In the entrepreneurial ecosystem, the entities could be the ecosystem's components, and the relationships between the components could be viewed as social network relationships, which provide resources to the ecosystem (Apa, Grandinetti & Sedita, 2017; Cowell, Lyon-Hill & Tate, 2018).

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