

## ENTREPRENEURIAL ECO-SYSTEMS & REGIONAL ALLIANCES

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**Rezumat.** Studiul universităților și rolul acestora pentru dezvoltarea întreprinderilor, pentru sprijin și educație este foarte important. Cu toate acestea, atunci când Isenberg a inventat termenul "eco-sistem antreprenorial" și a sugerat că învățământul superior a fost unul dintre elementele cheie ale unui ecosistem regional, s-au deschis noi perspective privind conceptul de universitate și rolul ei tot mai mare în afaceri globale, economice și viață civică a unei regiuni. Care este acest mare rol și cum se vede locul unei universități în această evoluție antreprenorială a ecosistemului? Cum se încadrează în alianțe regionale înființate pentru a construi dezvoltarea economică regională? Această lucrare prezintă două alianțe pilot care au fost formate recent, folosind atât instituții de învățământ superior dar și un eco-sistem mai larg care să susțină Inovarea și Inserția Profesională (alianțele denumite SHIP și REAL).

**Abstract.** The study of universities and their role in enterprise development, support and education is very mature. However when Isenberg coined the term 'entrepreneurial eco-system' and suggested that higher education was one of the key foundation blocks of a regional eco-system it threw open the concept of the university having a wider role in the overall business, economic and civic life of a region. What is this wider role, and how do the universities themselves view their place in this evolving entrepreneurial eco-system? How do they fit into Regional Alliances set up to build regional economic development? This paper introduces two pilot Alliances that have been recently formed using both the education institutes and the wider eco-system to drive Innovation and Graduate Employability (The SHIP and REAL Alliances).

**Keywords:** entrepreneur eco-system university regional alliance

*'Businesses often lack an appropriate ecosystem that will enable them to grow'.  
(European Commission, 2013)*

### 1. Universities and Alliance formation

#### 1.1. Introduction

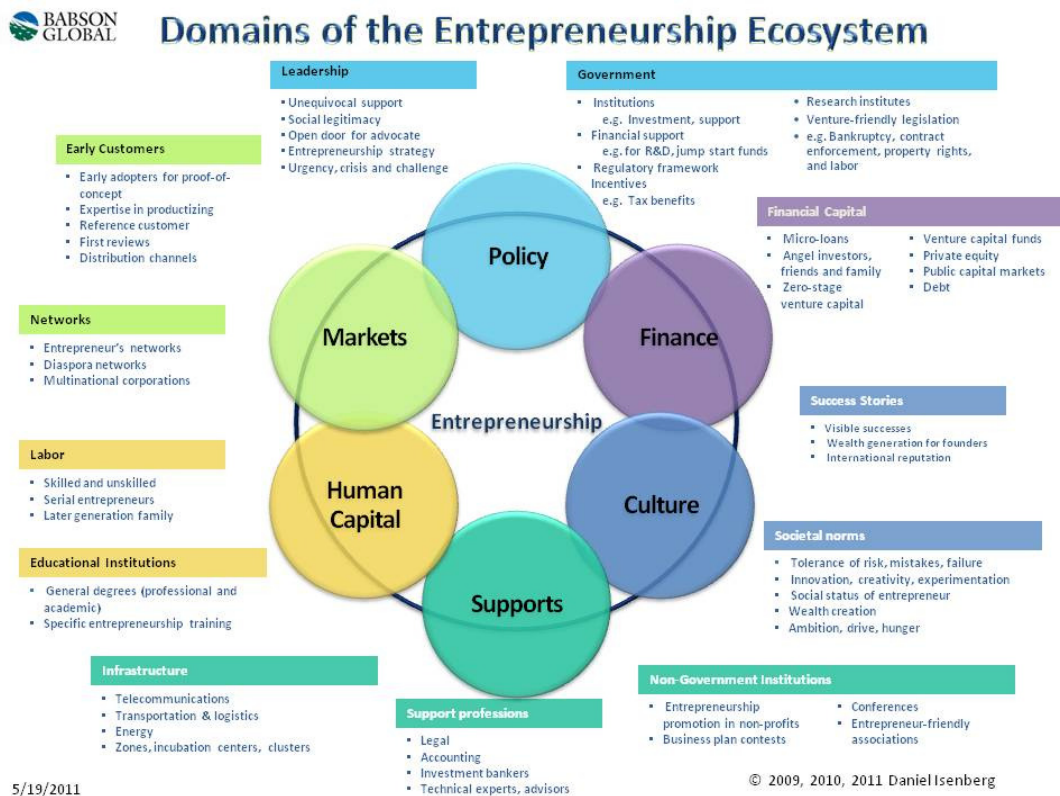
The study of universities and their role in enterprise development, support and education is very mature. However when Isenberg coined the term 'entrepreneurial eco-system' (Isenberg, 2010) and suggested that higher education was one of the key foundation blocks of a regional eco-system it threw open the concept of the university having a wider role in the overall business, economic and civic life of a region. How do the universities themselves view their place in this evolving entrepreneurial eco-system?

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## 1.2. Rationale

The role of universities is a common theme running through discussions of entrepreneurial eco-systems, as conceptualized by Isenberg in 2010. Educational institutions figure prominently in his entrepreneurial domains (see Fig. 1) and appear as essential players in both the OECD (2013) and Sweeney (1987) discussions on local entrepreneurial activity. Isenberg (2011) includes them as one of the two contributing components to the ‘human capital’ domain, while Sweeney (1987, p.109) states that ‘the educational system ... is a major determinant of innovative and entrepreneurial culture’, and further describes it as a very major influence on the ‘technological culture’ of a region (Sweeney, 1987, p. 108).



**Fig. 1:** Entrepreneurial Eco-System (Isenberg, 2011).

The OECD (2013) groups universities, public sector agencies and financial bodies as the local institutions contributing to the entrepreneurial eco-system. Education policy makers are also responding to the central role of the university within the eco-system and allowing policy to be ‘influenced or shaped locally’ to contribute to the development of local ‘entrepreneurial and leadership capabilities’ (Roper & Hart, 2013). These policy activities have been followed with the specific objective

to stimulate the development of entrepreneurial cultures locally (Huggins & Williams, 2011) – both as centres of innovation and as educators. Given that universities, and higher education institutes in general, are considered such an integral part of the wider entrepreneurial eco-system by the initiators of the concept it would be useful to understand how the universities themselves view their central and contributory role to the development of the eco-system. The literature is very quiet on this question, with many of the contributions referring only to start-up support and incubator development. While start-up incubators are a major part of the contribution of universities to the infrastructure of entrepreneurship - with over 7000 incubation programs worldwide – they are fast becoming a requirement of the university rather than a ‘nice to have’ (Elmes, 2014). The first business incubator was set up in the US in 1959 and in the intervening period many have moved from the pure ‘tenancy’ model to those offering mentoring, networks, access to finance and other business supports. However current ‘best-practice’ among the incubator community questions the function and aims of the incubator – ‘does it facilitate the creation of an entrepreneurial ecosystem?’ and does it ‘bolster the local business ecosystem?’ (Wyatt & Krelle, 2014). These questions are most appropriate to ask of the incubator community within the university, and are equally valid when questioning the overall contribution of the university itself to the entrepreneurial eco-system in the region in which the university resides. What indeed is the contribution of the institution to fostering enterprise – ‘the application of innovative attitudes, skills and behaviour’ (Bridge et al, 2009, p. 49) – in the local region?

### **1.3. Aim of the Paper**

Because the literature is quiet on this wider topic of the contribution of the university itself to the entrepreneurial eco-system in a region, the aim of this paper is to begin the process of understanding how a university views its role within the eco-system and how it should and could contribute to the development of that system for the benefit of its hinterland.

## **2. Review of Parent and Core Literatures**

### **2.1. Economic Growth**

Over the past 30 years, enterprise promotion has become a central focus of policy-making and today it is considered to be the cornerstone of economic growth policy (Niska & Vesala, 2013). Economic growth is considered as an important objective for national governments (Ribeiro-Soriano & Galindo-Martin, 2012), and this economic growth and (consequent) prosperity are essentially dependent on the creation of new economic activities (Sweeney, 1987). Entrepreneurship is one instrument that policy makers can use to promote economic growth (Ribeiro-

Soriano & Galindo-Martin, 2012) and although the creation of new enterprises has become a central policy strategy, fostering growth of existing firms is still a major challenge of the promotion policy (Niska & Vesala, 2013). Consequently for this paper the word entrepreneurship is used in the simple, classic sense of ‘the process of the formation and/or growth of private-sector businesses’ (Bridge, 2010).

If governments across the OECD have policies and programmes in place to promote entrepreneurship and growth, and if they do it for ‘broadly similar reasons’ and apply ‘similar methods’ (Bridge, 2010, p. 35) why then, do regional disparities continue to grow? (Rodríguez-Pose, 2013), and indeed why does there remain persistent ‘localized areas of disadvantage, including low levels of entrepreneurship’? (North and Syrett, 2006). The reduction of these disparities between economically leading and lagging regions is an overriding goal of regional policies across Europe, (Baumgartner et al., 2013) with the European Structural and Social Funds being the prime instruments deployed by the EU to achieve this goal. In his introduction to *Rethinking Enterprise Policy*, Bridge (2010, page xi) suggests that many governments have tried to raise the levels of enterprise, especially ‘in countries or regions’ (author italics) with relatively weak economies by following policies which they hoped would contribute to an ‘improvement in the relative position of the more deprived areas’ (Bridge, 2010, p. 7) and make the regional entrepreneurship level ‘converge with the national average’ (Bridge, 2010, p. 7). Sweeney (1987) would argue however that such activities are doomed to failure, as he suggests that economic development is a ‘less than national’ phenomenon (Sweeney, 1987, p.1) which stems from the reality that a national economy is in reality a ‘mix of regional economies with very different capabilities to create wealth’ (Sweeney, 1987, p. 4). This is not just a European phenomenon, with Birch (1987) remarking that some US ‘locales are obviously doing a much better job than others of riding the crest of the growth wave’, with some regions having business formation rates ten times greater than others and with young firm growth rates in some regions better by a factor of eight. (Birch, 1987, p. 137)

## 2.2. Regional Disparities

The question ‘which places are doing well, and why’ (author italics) posed by Birch (1987, p. 137) has been the subject of considerable thought and discussion since it was posed almost thirty years ago. It has been shown through multiple analyses that the subject of regional entrepreneurship is ‘very complex with multiple independent variables as well as dependent variables and interactions between them’ playing an important role in the entrepreneurial development process. (Tamasy, 2006). The propensity for people to set-up a business is ‘directly influenced by the socio-spatial context’ in which they operate. (Williams

& Williams, 2012). Specifically the 'locality of the entrepreneur' and the 'economic and social influences' being seen as having an impact on the motivation of the individual entrepreneur (ibid.), with the entrepreneurial culture in the region directly influencing the 'spawning of founders' (Avnimelech & Feldman, 2011). This focus on locality is broadened to include the notion of the 'entrepreneurial environment' which stresses the importance of the 'social, cultural, and political context' along with the physical locality to help explain the 'emergence and success of innovative firms' in different regions (Mitra, 2012). Moreover local actors, such as local development agencies, frequently play a role in developing local policy and implementation with the effect that 'regional institutional architecture and support structures' can be quite different from the overall 'national' picture (Mason & Brown, 2013). Sweeney (1987, p. 5) describes this local 'entrepreneurial vitality' as the 'key characteristic within a region which generates its own prosperity from within itself'.

### **2.3. Entrepreneurial Eco-Systems**

To understand this 'entrepreneurial vitality' it would be simple to limit ones focus to the major economic and innovation centres worldwide, as it has been shown that 'urban regions with high levels of economic growth and diversity of economic activities' produce higher level of entrepreneurial activity (Bosma & Sternberg, 2014). However to understand the general concept of entrepreneurial activity and vitality in different regions it is important to include those regions 'typically peripheral to the core of economic activity' (Smallbone & Welter, 2012) to help identify the conditions where access to 'new ideas, sources of innovation and skilled human capital' may be more limited (NESTA, 2014). Studies of different regions have shown that 'population density, the level of education, income and wealth and the rate of public and manufacturing sector employment' are found to moderate the individual formation of entrepreneurial intentions' (Kibler, 2013). The following agents and stakeholders have been identified as key 'actors of innovation' – 'governmental agencies, associations, technological parks and science centres, R&D organizations, entrepreneurship-supporting entities, technological schools, university interfaces, financial institutes – as well as venture capitalists or high-risk investors and, finally, other institutions' (Vaz et al., 2014). While individual entrepreneurs are responsible for the individual setting up of businesses, Isenberg in his seminal 'How to start and Entrepreneurial Revolution' (Isenberg, 2010) argues that many of these businesses are 'aided, either directly or indirectly, by Government leaders who helped build environments that nurture and sustain entrepreneurship' (Isenberg, 2010). He further argues that it is possible to identify and cultivate the conditions in which 'value-creating entrepreneurial ventures' can thrive (Isenberg, 2011). This environment he refers to as the 'entrepreneurship eco-system'. The concept is

relatively new amongst both academics and policy makers (OECD, 2013), but has gained some traction in recent years – a Google search currently throws up over a half a million results – with MIT, Harvard, Babson College and other leading business schools studying and commenting on the phenomenon. A 2013 OECD/Dutch Government workshop on the topic defined the entrepreneurial ecosystem as ‘a set of interconnected entrepreneurial actors, organisations, institutions, and processes which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment’ (OECD, 2013). This supports the earlier work by Sweeney (1987) to characterize the ‘Innovation Potential’ in a region (Sweeney, 1987, p. 102) by listing the key elements that determine the entrepreneurial vitality of a region – sectoral and technological mix, the education system, local autonomy etc. Isenberg (2011) lists six general ‘domains’ of the entrepreneurial ecosystem – a conducive culture, enabling policies and leadership, availability of appropriate finance, quality human capital, venture friendly markets and a range of institutional and infrastructural supports. He further elaborates these six domains into fifty specific components that contribute to the entrepreneurial eco-system of a region. (see Figure 1).

#### **2.4. Next Steps**

Harnessing the critical contribution that universities play in the local eco-system is a complex task. The next section details two pilot initiatives that are under way across Europe to integrate the local university into the economic life of the various regions.

### **3. Pilot Alliances**

Two ERASMUS+ projects have just begun their work to harness the power of the local university to support the local economy and to assume their key role in the eco-system.

#### **3.1 Project REAL – Regional Education and Employment Alliances**

The first project is centred on the area of humanities graduate employability. The REAL project aims to empower young unemployed or underemployed humanities graduates to become innovators, entrepreneurs and high value employees. It further strives to address structural issues locally that generate a skills mismatch between university educated students and the current labour market by forming a working alliance between stakeholders in higher education, training, business development and local authorities – all members of the local entrepreneurial ecosystem.

Cross-border alliances with all stakeholders in the graduate employment arena will be formed to determine current issues around employability. These

stakeholders include training and development organisations, higher education institutes, employers' representatives, public authorities and private organisations. Two alliances will be formed – one in Louth/Newry-Mourne in Ireland/UK and one in Halle/Szczecin in Germany/Poland.

These cross border alliances will identify the 'disconnects' within the existing support structures across the target regions, and produce a solid Action Plan to address these needs for the benefit of the graduates. This Action Plan will also highlight best practice in the target regions. The project partners will take this action plan and create an open-access, classroom and on-line training course that will teach young graduates innovation skills that will open doors to their participation in creative industries and regional development, either as entrepreneurs or highly productive staff members. Members of the Alliance will then target and recruit trainees from the local area for participation in the training. Further details on this project can be found [www.employmentalliance.eu](http://www.employmentalliance.eu).

### **3.2. Project SHIP – SMEs and HEIs in Innovation Partnerships**

SHIP will strengthen the knowledge triangle by building sustainable collaborative relationships between Higher Education Institutes (HEIs), SMEs and innovation support organisations. The project will consolidate cooperation as a key feature of the knowledge economy and reshape the traditional roles of HEIs and SMEs. This will be accomplished by breaking down barriers so that SMEs can access and utilise academic research to boost their innovation capacity and competitiveness, and by multiplying outlets for HEIs to generate direct economic benefit from their research.

SHIP will initially establish a number of Territorial Innovation Alliances comprising over 70 stakeholder organisations from the local entrepreneurial eco-system in five countries, in a bid to understand the difficulties experienced by SMEs gaining access to HEI research. Interactions with alliance members will determine the training needs of SMEs in innovation transfer with HEIs, and will form the basis of the training course to be developed. The training will be developed and trialled with over 100 SMEs across Europe and finally be made freely available across multiple platforms and languages to SMEs and HEIs in the EU. More details can be found at <http://innovationalliance.eu>

## **4. Summary**

The two projects outlined are in their infancy, however both are designed to use the membership of the local entrepreneurial eco-system to drive both business development at a local level and to assist with the employability of recent underemployed graduates. The projects are of two years duration and their results will be published in due course.

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