

Entrepreneurial ecosystems



November 6, 2009

Start-up companies are not born from one mind; they're the result of teamwork within an inspiring and supportive environment.

Stimulating entrepreneurship, especially high-growth, knowledge-intensive businesses, is crucial, and may be the boost the economy needs to get out of the current financial crisis. But how is it done?

[Prof. Julia Prats](#), head of [IESE's Department of Entrepreneurship](#), and Benno Van Dongen, partner at Roland Berger, examined the mechanisms behind stimulating entrepreneurship in their paper "[For Entrepreneurs, By Entrepreneurs](#)." The authors surveyed over 1,000 successful and unsuccessful European entrepreneurs from 57 countries and found that the key to fostering and accelerating knowledge-intensive entrepreneurship is to forget the idea that entrepreneurs are exceptional individuals who work alone, and focus on building more and better "ecosystems."

Ecosystems generate successful start-ups

In an entrepreneurial ecosystem (think Silicon Valley, Route 128 or the like), entrepreneurs have immediate access to teachers, coaches, supporting professionals in law and accounting, as well as a network of customers and companies with whom they are in frequent contact.

According to the authors, there are two levels of networks within an ecosystem: the "open network," through which entrepreneurs get in touch with customers, suppliers and other supporters; and a "closed network," with whom an entrepreneur shares his or her ideas and worries, in order to receive immediate advice or feedback. Considering that 90 percent of initial business plans are adjusted before becoming successful businesses, fast, critical and expert advice is a crucial element in the entrepreneurial process.

One warning, though, is that building ecosystems of entrepreneurs can only be done by empowering people. As relationships between entrepreneurs are at the core of the ecosystem, pushing it too much might destroy it.

The study cited IESE Business School and Delft University of Technology in the Netherlands as examples of successful ecosystems. Within an ecosystem, start-ups and corporations can interact and mutually benefit from each other's knowledge and connections. Furthermore, the fact that there is an institution that allows for the accumulation of knowledge and the conceptualization of previous experiences significantly contributes to improving the virtuous cycle.

"By actively exchanging knowledge and experience, and co-acquiring new products, corporations foster and benefit from innovative start-ups," the authors say.

Six key insights

From conversations with entrepreneurs from the ecosystems of IESE and the Delft University

of Technology, the study identified hurdles that start-up companies face, and offered an expert view on how to stimulate and foster knowledge-intensive entrepreneurship.

According to the study, 57 percent of entrepreneurs cited getting to know their customers as the No. 1 hurdle to overcome before starting a successful business. Contact with potential customers and obtaining fast external feedback are key factors in establishing a company.

"Ideally, an entrepreneur is actually able to name their future customers, to get the most accurate picture for future decisions," the authors state.

Building a team came a close second. "Adding experienced people to the team is a major driver of success. Firms that add experienced people to the team think bigger, act faster and make more use of industry contacts," the authors stress.

After assessing the hurdles and success stories that the survey participants faced, the authors highlighted six key insights to building high-growth firms.

- Entrepreneurial behavior is developed through personal and interpersonal competencies. Good entrepreneurs need more than business skills - personal competencies such as creativity, determination, integrity and self-criticism will enable entrepreneurs to make the right decisions in matters that are beyond his or her knowledge.
- Ecosystems allow entrepreneurs to develop their initial ideas more quickly and, using feedback from networks, validate their business ideas.
- Corporations can provide vital business know-how to start-ups, but can also benefit from the product, service and process ideas by participating in the start-up ecosystem.
- Ecosystems create entrepreneurs by validating that one has or can develop the capabilities to start a firm.
- Government support of ecosystems and start-ups should be faster, more targeted and less bureaucratic.
- Knowledge centers, investors and business service professionals should take the lead in setting up platforms for interaction to facilitate the development of ecosystems.

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