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How to Build a Sustainable Ecosystem: The Relevance of Governance and Coopetition

Written By: Christina Theodoraki (TBS)



Sustainable entrepreneurial ecosystem is one of the latest trends for researchers and practitioners (see [TBSearch, 2019](#)). Every institution and every city wish to become a successful entrepreneurial ecosystem. A fantastic place where second chances are welcomed, where innovation is a personal and collective goal, where the entrepreneurial spirit is cultivating in educational institutions, where risk taking and proactiveness are key characteristics. But how can it be possible?

Entrepreneurial ecosystems are sets of interdependent species connected through various interactions within a specific geographic area to foster entrepreneurship and new business creation.

What about successful ecosystems?

Silicon Valley, Tel Aviv, Boston's Route 128, North Carolina's Research Triangle, Waterloo, Boulder, Sophia Antipolis are some of the famous entrepreneurial ecosystems that succeeded to create this entrepreneurial mindset. Most research discussions focus on these successful ecosystems by describing their configuration to inspire other cities to do the same. Other discussions take for granted that these successful ecosystems just happened, without investigating the nature and birth of these ecosystems. Furthermore, these latest debates fail to explain why these ecosystems succeeded better than others and how successful entrepreneurial ecosystems could be created in other places while considering local specificities.

Previous research tried to predict the magic recipe by listing all elements of a successful ecosystem, replicating and locating them on a different place, hoping that they will interact and create a successful ecosystem. The result of these studies is ZERO! The recipe didn't work because the local specificities are unique in each place and just putting isolated elements in a place does not guarantee that they will interact.

It's time to dig beyond the simplistic description of successful ecosystems and find out why some of them fail while others succeed. Entrepreneurial ecosystem success and sustainability are related to the governance and the strategies they develop.

"Is cooperation strategy profitable for the success of the ecosystem? The answer is "Yes", of course. But what about competition. Is it better?"



Top-down VS bottom-up governance

Institutional defenders consider that policy makers should have an active role in the entrepreneurial ecosystem by creating laws favorable to the entrepreneurial activity and funding high potential start-ups to help them grow. The cyclic model works as follows: the policy makers create favorable laws and fund start-ups – the latter grows, creates employment and pays taxes to the government – the society evolves, as economic development is growing, more public money can be invested on new start-ups.

Therefore, policy makers maintain a strong impact in the governance of entrepreneurial ecosystems. Should they continue to do that? Brad Feld ([2012](#)) will probably answer “No”. According to his book *“Startup communities: Building an entrepreneurial ecosystem in your city”*, policy makers should stop influencing the entrepreneurial ecosystem life cycle and promote bottom-up initiatives.

In contrast of these pure extremities, the solution is somewhere in the middle. A balanced governance is required for the well-functioning of the entrepreneurial ecosystem. This governance is strongly related to the elements’ interactions. Which individual behavior is more suitable for the well-being of the overall community?

To that end, governments favor synergies and cooperative behaviors to create a supportive entrepreneurial culture and collaborative atmosphere within the ecosystem. Is cooperation the most suitable strategy in the ecosystem?

- Governments have a key role in the entrepreneurial ecosystem in establishing complementarity between ecosystem members and creating a shared entrepreneurial culture within the ecosystem.
- A combination of top-down and bottom-up initiatives is necessary for the functioning of the entrepreneurial ecosystem.

Cooperation VS Coopetition strategies

Is cooperation strategy profitable for the success of the ecosystem? The answer is “Yes”, of course. But what about coopetition. Is it better?

Coopetition is the simultaneous combination of cooperation and competition strategies. In the entrepreneurial ecosystem, some species collaborate while others compete. Some discussions raise concerns about pure cooperation and pure competition. Under some circumstances, pure cooperation can be critical for the ecosystem when opportunistic behaviors of some members occur and profit of private benefits rather than collective ones. In these circumstances, cooperation with eyes closed will cause significant damage in the ecosystem functioning. In contrast, pure competition may decrease the climate of sharing and co-creating more value as a collective community rather than the value created on its own. In both cases, hybrid strategies, such as coopetition are more suitable for the well-functioning of the entrepreneurial ecosystem. Brandenburger and Nalebuff ([1995, Harvard Business Review](#)) introduce the “cake metaphor” where members cooperate to make collectively the biggest cake and then they compete to individually take the largest part of it. This metaphor clearly shows the intensity of coopetition behaviors. To manage them, it is important to accept their existence and understand their functioning.

The [letter n°14 of the Labex Entrepreneurship](#) reveals that coopetition strategy exists in the entrepreneurial ecosystem and this hybrid strategy is more suitable, rather than pure cooperation or pure competition. In short, cooperating with other ecosystem members is the key solution of the well-functioning of the ecosystem, as it creates a safe and trustful atmosphere between members. However, to guarantee ecosystem's sustainability it is important to also favor competitive behaviors as a challenging engine for the ecosystem's improvement.

While governments overprotect the ecosystem by promoting pure cooperation, the ecosystem metaphor is built on the predators and prey's interdependencies, which establish the need of competition (see [Moore 1993, Harvard Business Review](#)). They should hence encourage coopetition behaviors as enablers of the ecosystem sustainability.

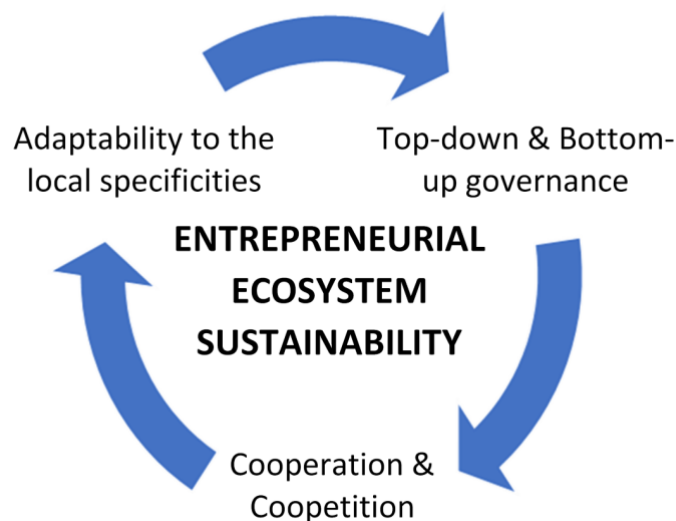
- Policy makers should favor hybrid strategies, such as coopetition, to maintain the sustainability of the ecosystem.
- Cooperation strategies contribute to the wellbeing of the ecosystem and to build a trustful community.
- Competition strategies are more suitable in the ecosystem rather than pure cooperation or pure competition.

Ecosystem evolution

Summarizing, the entrepreneurial ecosystem is not a static image but a living community of species and strategic interactions. Thus, coopetition relationships change as the ecosystem evolve. In the first stages of the entrepreneurial ecosystem creative and more cooperative relationships may dominate. During this period, members need to collaborate to develop a trustful climate and a solid foundation of the entrepreneurial ecosystem. With the maturity of the ecosystem, more opportunistic behaviors of members may emerge in the quest of leadership or value capture. These opportunistic behaviors, if appearing too early, may destroy the entrepreneurial ecosystem. If not, they will enhance the sustainability and adaptability of the ecosystem and allow it to endure in time.

- Strategic behaviors are related to the ecosystem phase. These behaviors are evolving based on the ecosystem stages.

In short, coopetition strategies are more suitable in the entrepreneurial ecosystem as they allow to pull up all members and improve their practices. Thus, coopetition is necessary for the evolution of the entrepreneurial ecosystem and its sustainability.





About the International Council for Small Business (ICSB)

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editor of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager. He will be soliciting ideas and articles from ICSB members world-wide.



Christina Theodoraki

[Assistant Professor in Entrepreneurship & Strategy, Toulouse Business School](#)

She publicly defended her thesis entitled “Towards an Ecosystem Approach to the Strategy and Performance of Incubators” on November 28, 2017. Her thesis received two Best Dissertations Awards from the AEI academy and the AIREPME research association. She is Senior Research Fellow at the [Institute for Development Strategies](#) at SPEA at the University of Indiana and Business Development Manager at the [Entrepreneurial Ecosystem Research Network](#) (EERN). Her teaching areas are Management, Strategy, Business Plan and

Entrepreneurial Support. Her areas of research include entrepreneurial ecosystem, entrepreneurial support, and inter-organizational strategies with a focus on business incubators.



Kyle Lyon

Editor, ICSB Gazette

Kyle is the Junior Project Manager at the International Council for Small Business (ICSB) in Washington, D.C. and the Editor of the ICSB Gazette.

ICSB Executive Director Comment:

This Gazette issue was submitted by Dr. Christina Theodoraki.

Dr. Ayman El Tarabishy

Contribute:

Have a topic you would like to see or an article to share? Please submit for consideration to kyle@icsb.org

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