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One size does not fit all: revisiting regional entrepreneurship policy for enhanced entrepreneurial ecosystems

Problem statement and conceptual framework

A number of researchers have developed frameworks to explain some of the macro (and micro) determinants of entrepreneurship activities or the entrepreneurial process (Reynolds et al., 1999; Reynolds et al., 2005; Verheul et al., 2002; Wennekers and Thurik, 1999; Sobel, 2008, Singer et al., 2015). The majority of these frameworks conclude the same thing: institutional factors (formal and informal) are essential elements in understanding the determinants of entrepreneurial dynamics. Institutional factors help to foster and generate incentives that create an entrepreneurial ecosystem; the right legal and regulatory frameworks are critical to thriving entrepreneurship (Isenberg, 2010).

In particular entrepreneurship policy, linked to formal institutions, seeks to influence the level of entrepreneurial activity in a specific region (Lundstrom and Stevenson, 2005) since increased levels of entrepreneurship have been found to support job growth (Birch, 1979, [1987](#)) and country competitiveness (Amorós et al., 2012). Even though researchers continue to pursue the question of what factors, and which entrepreneurship policies are actually successful in stimulating rates of entrepreneurship and country competitiveness (Acs and Amorós, 2008). Extant research has been inconclusive in regards to how and under what circumstances governments can positively influence entrepreneurial activity (Capelleras et al., 2008). contribution to poverty mitigation and economic growth overall.

Over the last decades many policies related to new “innovative business” were direct or indirect associated with national innovation system. These systems have shaped many organizational

activities around “innovation” and value-added transactions, but the role of entrepreneurs is continuously underestimated in the equation leading to productivity and innovation (Acs et al., 2014). The (local) entrepreneurial ecosystem approach, on the contrary, has proven capable of resolving the lack of knowledge of how and why different type of entrepreneurial activities are relevant for development and also of understanding whether institutions and policy decisions need to be oriented towards stimulating growth-oriented and productive entrepreneurship (Feld, 2012; Isenberg, 2010; Neck et al., 2004; Spigel, 2015). Drawing on the case of Chile, this research highlights the relevance of this novel conceptualization of entrepreneurial ecosystem for new and existent regional entrepreneurship policy. Our conceptualization is based on Stam’s (2015) ecosystem model (See Figure 1) that emphasizes the centrality of two types of necessary conditions for a successful entrepreneurship ecosystem: (1) framework conditions, comprising formal institutions, culture and physical infrastructure; which are the basis of the model, and over them, (2) systemic conditions, including networks, leadership, finance, talent, knowledge and support and services-intermediaries that enable the generation of an intermediate output, namely, productive entrepreneurial activity, which could subsequently lead to a final outcome, namely “aggregated value creation”. In this research we seek to examine, both theoretically and empirically, the relationship between the framework and systematic conditions of the regional entrepreneurial ecosystems in Chile, and explore the relationships between these conditions and the entrepreneurial dynamics that is oriented towards value-aggregation processes, meaning growth-oriented and productive entrepreneurs.

Methods and data

Our research draws on data from the Global Entrepreneurship Monitor Chile, which offers a unique longitudinal primary data from 2008-2015. This data comes from two complementary

sources: (1) an adult population survey comprising approximately 55,000 individuals across Chile that provides information about entrepreneurship dynamics (new business creation) and (2) key informant survey comprising 2700 experts that provides information about some entrepreneurial conditions at national and regional. We combine this primary data with a series of secondary data at national and regional levels, which enable us to narrow the scope of the factors shaping Chile's 15 regions.

In terms of empirical analysis, we use two complementary methodologies. First, using the key informant survey and secondary data we analyze the necessity and sufficiency of system conditions through the lens of multiple-conjunctural causation (Fiss, 2011), where instead of looking at net effects, we allow that different causal paths, each being relevant in a distinct way, may produce the outcome under examination i.e. regional entrepreneurial ecosystems enhancement.

We use fuzzy set qualitative comparative analysis (fsQCA) technic to examine the specific configurations - mostly necessary and sufficient - of input factors that lead to rates of new venture creation (outputs) and regional entrepreneurial ecosystems enhancement (ultimate outcome). In a subsequent stage, we use these insights and the population survey data to model and quantify the efficiency in terms of the outputs-outcomes of the Chilean regions using a stochastic frontier analysis approach (SFA) that fits a best-practice frontier.

Implications and potential results

The compilation of a harmonized and compressive database related to the key elements of the regional entrepreneurial ecosystems in Chile is to our understanding, one of the first attempts to

make this kind of data collection in Latin America. This enable us to expand our previous work on the relationship between entrepreneurship and institutional factors to show how that relationship interact in a systematic manner with other relevant elements of the entrepreneurial ecosystem (Stam, 2015; Spigel, 2015). Preliminary results measuring some framework conditions based on general policy and entrepreneurship activity shows that the impact of policy programs increases regional specificities, i.e. local institutional characteristics, are taken into consideration. This confirms that actually “one size doesn’t fits all” when it comes to entrepreneurship policy. Our research shows that, on the one hand, entrepreneurship policy is a necessary but not sufficient condition to enhance regional entrepreneurial ecosystems, and, on the other hand, that as more people engage in entrepreneurial activities ecosystems require to increase their competitive dynamics based on a strong institutional base (Henrekson and Sanandaji, 2014). Finally, we sought to analyze the performance of the regional entrepreneurial ecosystems in terms of entrepreneurship activity putting emphasis on growth-oriented entrepreneurs, like a proxy for value-added outcome that can cause more competitive activities according to the regional specific conditions. Based on this analysis, we make valid inferences on how different configurations of entrepreneurial ecosystems can be optimal in terms of outputs and outcomes.

Our research contributes to entrepreneurship literature by revisiting what a successful entrepreneurial ecosystem means through the lens of complex causality. Certainly, as our research shows, there is no single recipe for high regional performance conversely, there are different configurations of (mostly) necessary and sufficient conditions that can generate a successful regional entrepreneurial ecosystems. As such, we respond to recent calls for a definitive shift from regional “entrepreneurship policy” to policy for an “entrepreneurial regional economy”, i.e. an entrepreneurial ecosystem (Thurik et al., 2013). Ultimately, regional policy can

not be about maximizing a certain indicator of entrepreneurship, but about creating a complex system, in which productive, growth-oriented entrepreneurship can flourish.

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Figure 1. Key elements, outputs and outcomes of the Entrepreneurial Ecosystem (Stam, 2015)

