Evolving an Entrepreneurial Ecosystem

The Environment in which Start-ups Operate Influences their Success to a Large Degree

We are in the midst of a start-up revolution. The growth of innovation-driven start-up activity is profound and global in scope, and it is a driving force of change even in mature industries such as the chemical and pharmaceutical sector. But what has triggered this start-up boom, makes start-up communities thrive and improves collaboration in these complex environments? CHEManager asked Brad Feld and Ian Hathaway, the authors of a new book on the topic, to discuss these questions. Feld has been an early-stage investor and entrepreneur for over 30 years; he is a recognized speaker on the topics of venture capital investing and entrepreneurship. Hathaway is a leading thinker and writer in the areas of entrepreneurship and innovation, and advises start-ups in the United States and Europe.

Brad Feld

Ian Hathaway

CHEManager: The last decade has been a transformational one for entrepreneurship throughout the world. What are the reasons for this start-up boom?

Brad Feld: Today, the proliferation of digital technologies, the availability of information on entrepreneurship, and the quest for sustained economic growth have put start-ups on the map for people, governments, corporations, and other stakeholders around the world. The confluence of ubiquitous high-speed connectivity with inexpensive, powerful, and remote computing has dramatically lowered the cost of starting a digitally enabled business, allowing entrepreneurs to start new ventures in more places. The momentum and excitement behind today's entrepreneurs feel unprecedented.

Do you believe that your book 'Startup Communities: Building an Entrepreneurial Ecosystem in Your City', published in 2012, has been one reason for this shift in thinking?

B. Feld: Yes, today, we understand that communities of support and knowledge-sharing go hand in hand with other inputs and resources. The importance of collaboration and a long-term view has gained broad acceptance by entrepreneurs and start-up community builders. These principles are at the forefront of the leadership behind many start-up communities around the world.

Using the example of Boulder, Colorado, my book provided practical guidance for entrepreneurs and other stakeholders to improve the start-up community in their city. 'Startup Communities' stressed the behavioral, cultural, and practical factors that are central to a collaborative system of local entrepreneurship.

Considering this progress made in recent years, where do we stand in terms of the start-up ecosystem?

Ian Hathaway: A great deal of start-up activity is still highly concentrated in large, global, elite cities. Governments and other actors such as large corporations and universities are not collaborating with each other or with entrepreneurs as well as they could. Too often, these actors

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try to control activity or impose their view from the top down, rather than supporting an environment that is led from the bottom up, principally by entrepreneurs. We continue to see a disconnect between an entrepreneurial mindset and that of many individuals and organizations who wish to engage with and support local start-ups.

How can these problems be solved?

B. Feld: There are structural reasons for this, but we can overcome these obstacles with appropriate focus and sustained practice. We have to get all relevant parties better aligned — from founders to governments to service providers to community builders to corporations and beyond. We hope that our new book 'The Startup Community Way' will be transformational while building on top of the foundation created by 'Startup Communities' and the work done by people in start-up communities everywhere.

Financing is critical for entrepreneurs. While in some parts of the world, capital available for start-ups is plentiful, in many others, it is still lacking.

B. Feld: Right! Consider Boston versus Orlando, or London compared to Caracas. Talent and technology are ubiquitous, but tangible opportunities are not. Along with the widely recognized growth opportunity presented by entrepreneurship in the digital age, the environment in which start-ups operate influences their success to a large degree. It is the nature of these external factors — and more critically their linkages with entrepreneurs and with each other — that explains why some places can consistently produce high-impact start-ups while others struggle.

In many cities, regions, and countries, little progress has been made in cultivating the communities of support and knowledge-sharing that entrepreneurs need to thrive. The gap between success and failure is not due to an absence of available knowledge about how to improve conditions for local entrepreneurs.
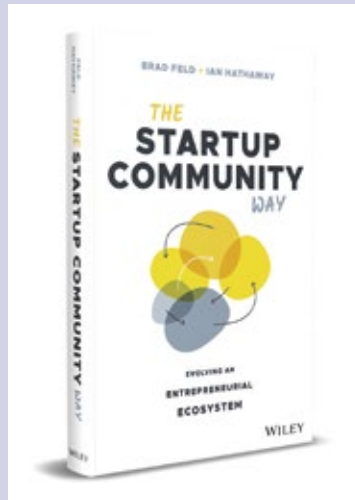
So, why is this so challenging?

I. Hathaway: While the attitudes, behaviors, practices, and values at the heart of vibrant start-up communities are second nature to many entrepre-

The Startup Community Way
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The 'Startup Community Way' is an explanatory guide for start-up communities. The book builds off of the success of 'Startup Communities', going more in-depth in some areas while correcting foundational mistakes in others. Being neither an update nor a second edition to 'Startup Communities' the 'Startup Commu-

nity Way' benchmarks progress made, develops new areas of inquiry and exploration, makes adjustments, and takes the content in a new direction. The book's goal is to help understand how to create a long-term, vibrant, sustainable start-up community in any city in the world.

The authors collectively bring decades of experience to the practice and study of start-ups, start-up communities, and their impact on local societies and economies. They have spoken with thousands of entrepreneurs and other start-up community participants around the world and have taken both a pragmatic and researched approach to cultivate the material presented in this book.

neurs, they often are counterintuitive or misaligned with competing incentives, especially when the person represents an organization such as a large corporation, university, or government. These institutions, which are hierarchical organizations, operate in ways that are antithetical to start-up communities, which, like entrepreneurial companies, thrive in a network model.

> *„The importance of collaboration and a long-term view has gained broad acceptance by entrepreneurs and start-up community builders."*

B. Feld: As we started work on the new book, we compiled a list of mistakes people make around start-up communities. We found many similarities to the mistakes people make when interacting with complex adaptive systems, including applying linear systems thinking in a nonlinear world; attempting to control a start-up community; addressing problems in isolation; focusing on the parts of a start-up community rather than the interactions between them; believing

that a start-up community is formulaic or replicable; and measuring the wrong things. Shifting from a linear system approach to a complex systems mindset is a powerful way to address these challenges.

Yet, there are numerous examples of successful entrepreneurship in cities or regional clusters around the globe. What do they have in common?

B. Feld: We emphasize that no two start-up communities are the same, have equivalent needs, or operate on a comparable time frame. For each example where something worked in one city, there's at least one other city where it didn't. That's the nature of these systems.

In 'Startup Communities', I introduced the idea of the Boulder Thesis as a basis for creating a start-up community in any city. The four principles of the Boulder Thesis are:

1. Entrepreneurs must lead the start-up community.
2. The leaders must have a long-term commitment.
3. The start-up community must be inclusive of anyone who wants to participate in it.
4. The start-up community must have continual activities that engage the entire entrepreneurial stack.

Does that mean that any city or region can become a start-up hot spot by applying the principles of the Boulder Thesis?

B. Feld: Boulder has a lot going for it — a well-educated workforce, a leading research university, a flurry of high-tech companies and research labs, a plethora of amenities, and the strong sense of community. For that reason, using Boulder as a model for start-up communities is criticized by some for being too idealistic. While understandable, this criticism misses the point. The lesson from Boulder is not that everything is perfect and that, if copied, a similar outcome can be achieved elsewhere. The true lesson is that Boulder's collaborative nature is what allows it to get the most out of the resources it already has in place.

Rather than be concerned about imitating Boulder, instead draw the lesson that building a critical mass of people who are helpful and collaborative will improve the odds that entrepreneurs will succeed, no matter what other resources are available today.

I. Hathaway: We have a deeply held belief that you can create a vibrant, sustainable start-up community in any city in the world, but it's hard and takes the right kind of philosophy, approach, leadership, and dedication over a long period of time.

Many entrepreneurs move to places with a vibrant start-up community like Silicon Valley - and still fail.

B. Feld: We don't think a person should have to move to Silicon Valley — or any other specific place — to become a successful entrepreneur. Instead, we want people to be empowered to pursue entrepreneurial endeavors anywhere they choose to live. Doing so may come with inevitable tradeoffs, but people who start businesses in the places they want to live are more likely to succeed than those who do not.

I. Hathaway: We believe entrepreneurship can transcend political, economic, and cultural boundaries. For us, this is especially important to address in our current geopolitical climate and in the face of the many societal challenges we face globally.

https://startupcommunityway.com/