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Building Entrepreneurial Ecosystems in Small and Medium-Sized Towns

A practical guide for urban policymakers and practitioners

C4TALENT Micro Learning Series | Course 1 – Takeaway Guide

https://urbact.eu/networks/c4talent

Chapter 1: INTRODUCTION

▶ Why this guide?

Entrepreneurial ecosystems can help smaller cities tackle brain drain, attract returnees, and build dynamic local economies. But smaller cities don't need to mimic Berlin or Barcelona — they need to build **place-based ecosystems** tailored to their people, assets, and ambitions.

This guide offers a compact, practical introduction to building stronger entrepreneurial ecosystems in small and medium-sized towns. It draws on the **C4TALENT network's experience,** real examples from cities like **Barnsley, Vilanova, and Nyíregyháza,** and lessons from our **2024 masterclass** on ecosystem development.

▶ What is an entrepreneurial ecosystem?

"A set of interconnected actors, organizations, institutions and processes which formally and informally coalesce to govern performance within the local entrepreneurial environment."

— Mason & Brown, 2014

"In isolation, each element is conducive to entrepreneurship but insufficient to sustain it. Together, they turbocharge venture creation and growth."

— Isenberg, 2010

In plain terms:

It's the system that makes it easier (or harder) to start and grow a business in your city — shaped by people, policies, culture, and connections.

▶ Why do ecosystems matter for talent?

A thriving entrepreneurial ecosystem:
- Helps new businesses start and scale
- Creates jobs and local investment
- Raises aspirations and ambitions
- Encourages young talent to stay — and gives returnees a reason to come back

An ecosystem isn't just about startups — it's about shaping a local economy that's open, dynamic, and future-ready.
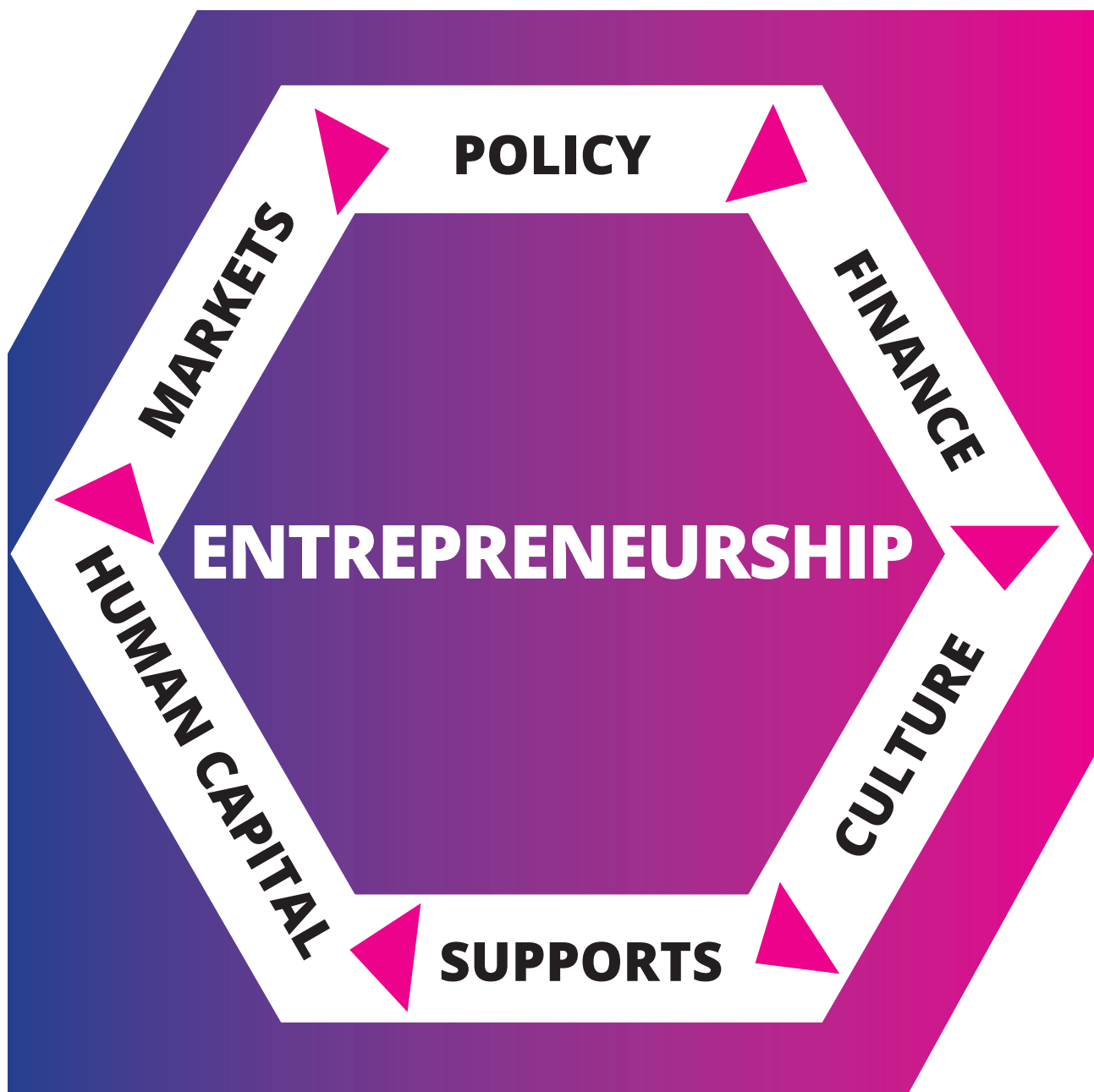
Reflective prompt:

Can entrepreneurs in your city easily find the help they need?

Is entrepreneurship a visible part of your city's future — or just a buzzword?

Building Entrepreneurial Ecosystems
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(Based on Isenberg's model — adapted for small and medium-sized cities)

1. POLICY –

Set the tone and direction

A strong ecosystem starts with clear, long-term intent. Cities must position entrepreneurship as a strategic priority — not a side project.

What it means in practice:

- Embed entrepreneurship in your development strategies and economic vision
- Involve entrepreneurs in policymaking: forums, advisory boards, task forces
- Align staff, space, budget and communication around shared goals
- Shift from project-based support to systemic, ongoing commitment

Your role:

Advocate for city-wide "entrepreneurship literacy"

Signal commitment publicly and consistently

e.g. The council runs regular cross-sector forums involving government, education, and business to shape entrepreneurship policy .

2. FINANCE –

Fuel growth with the right funding mix

Entrepreneurs need capital. In smaller cities, it's not just about providing funding — it's about making access possible and practical.

What it means in practice:

- Provide soft landing grants, relocation microgrants, or early-stage public funding
- Build pathways to regional angel investors, banks, VCs, and crowdfunding
- Offer investment readiness support (e.g. pitch training, investor Q&A sessions)
- Test co-investment models with development finance institutions

Your role:

Be a broker, not just a funder

Bring capital closer to entrepreneurs

e.g. The municipality has a grant scheme tied to local job creation and also hosts quarterly pitch events.

3. CULTURE –

Shape the social fabric of entrepreneurship

Culture binds the ecosystem together. A strong entrepreneurial culture celebrates effort, shares stories, and fosters connection.

What it means in practice:

- Support informal events like founder breakfasts, "fail nights," or demo days
- Make founders visible — awards, podcasts, city storytelling campaigns
- Foster a "pay-it-forward" ethos: experienced founders mentor new ones
- Focus on collaboration, not competition — even across city borders

Your role:

Be a convener, not a controller

Curate opportunities for spontaneous interaction

Tip: Beware the "build it and they will come" trap — hubs need activation, not just walls.

e.g. The city co-funds monthly networking events hosted by local entrepreneurs in community spaces.

4. SUPPORTS –

Make help easy to find and use

Support services must match real founder needs — and be timely, visible, and inclusive.

What it means in practice:

- Provide or fund access to spaces: co-working, fab labs, incubators
- Offer flexible mentoring, legal advice, training (in-person and online)
- Ensure founders can get help across all stages — idea, start, grow
- Map and signpost services clearly (print, online, face-to-face)

Your role:

Focus on accessibility and fit-for-purpose support

Simplify the journey — remove friction and duplication

e.g. A digital "Who can help me?" directory is updated yearly, covering all stages of the startup journey.

▶ 5. HUMAN CAPITAL –

Grow and retain local talent

Without talent, there is no entrepreneurship. Cities must work across education and enterprise to cultivate future founders — and keep them local.

What it means in practice:

- Embed entrepreneurship into school and university programs

- Run practical activities: bootcamps, idea challenges, internships

- Profile returnees and local success stories to inspire others

- Design inclusion-first initiatives for underrepresented groups

Your role:

Be the bridge between education and opportunity

Show people a reason to stay, or to come back

e.g. Schools invite local entrepreneurs to speak about their journey, and the city offers short-term placements in startups .

▶ 6. MARKETS –

Open doors for local innovators

Startups need customers and exposure — not just support. Cities can lead by example and unlock new market pathways.

What it means in practice:

- Make procurement more startup-friendly (pilots, innovation clauses)

- Use city services and infrastructure as testbeds

- Connect founders to export support, B2B matchmakers, or clusters

- Leverage city networks — mayors and local leaders can open doors

Your role:

Be an early adopter — or at least an open door

Champion your local innovators

e.g. Tallinn's "Test in Tallinn" program invites startups to pilot new products in city systems

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Summary Table: The Six Pillars at a Glance

Pillar	Your Role	Ask Yourself...
Policy	Signal commitment, align resources	"Do our policies clearly support entrepreneurship?"
Finance	Broker access to capital	"Can startups find funding at the right time?"
Culture	Animate the community	"Do entrepreneurs feel visible and supported?"
Supports	Ensure practical help is available	"Can founders easily navigate the system?"
Human Capital	Connect education and enterprise	"Are we growing and keeping entrepreneurial talent?"
Markets	Open up customers and testbeds	"Are we creating early opportunities to sell and scale?"

Final reminder:

You don't have to do everything at once. Pick one pillar. Start small. Iterate fast. Then let success create momentum.

CHAPTER 3: COMMON CHALLENGES (AND HOW TO OVERCOME THEM)

Straight talk from experienced ecosystem builders

Building a thriving entrepreneurial ecosystem in a small or medium-sized town is not a checklist exercise — it's often messy, unpredictable, and politically complex. But many cities face similar barriers.

Here are six of the most common challenges — and practical ideas to overcome them.

▶ 1. Entrepreneurs don't see themselves in the city's plans

The challenge:
Local economic or urban development strategies often mention "innovation" or "SMEs" — but fail to show genuine commitment to entrepreneurship as a driver of transformation.

Why it matters:
If entrepreneurs don't feel included, they won't participate — and they'll likely take their ideas elsewhere.

Try this:

- Include entrepreneurship in your city's main strategic documents — and back it with resources.

- Create a visible policy forum where entrepreneurs can give input.

- Ask: "Can a young founder see themselves in our vision for the future?"

▶ 2. The ecosystem is stuck in a "grant culture"

The challenge:
In many post-industrial or structurally challenged regions, public funding dominates the support landscape — and risk appetite is low.

Why it matters:
Grants can help early-stage ideas — but they can also create dependency and discourage long-term, sustainable growth models.

Try this:

- Transition towards blended finance (mixing grants, loans, and co-investment).

- Pilot small "soft landing" grants tied to specific outcomes (e.g., moving a startup into the city).

- Start building investor networks, even if they're regional.

3. Too much focus on buildings, not enough on people

The challenge:

Many cities default to building an innovation hub, assuming it will magically create community and growth.

Why it matters:

"Build it and they will come" rarely works. Ecosystem-building is about people, not just physical infrastructure.

Try this:

- Activate existing spaces through events and informal gatherings.

- Focus on community-building and peer connections — not just occupancy rates.

- Use your hub (if you have one) to curate interactions, not just provide real estate.

Quote from the masterclass:

"A hub is just a shell you animate — not the solution in itself."

4. It's hard to manage the 'chaos' of local actors

The challenge:

Ecosystems are messy. Different stakeholders (schools, investors, chambers, tech meetups, etc.) have different agendas and don't always play well together.

Why it matters:

Too much fragmentation leads to duplication, confusion, and missed opportunities — especially for new entrepreneurs.

Try this:

- Don't try to control everything. Instead, curate connections.

- Appoint a connector — someone who listens, navigates, and brokers collaboration.

- Invest in mapping your ecosystem — even a simple network map helps.

Term used in Barnsley:

"Curated serendipity" — when informal introductions are engineered in subtle ways to spark collaboration.

▶ 5. Talent is leaking away — and not coming back

The challenge:

Young, skilled people leave for big cities or abroad — and cities struggle to offer them reasons to stay or return.

Why it matters:

Talent fuels entrepreneurship. Without a pipeline of ambitious, skilled people, even great startup programs will stall.

> **Try this:**
>
> - Use targeted "returnee" programs — even small ones — to maintain contact with young people who left.
>
> - Celebrate local success stories. Let young people "see themselves" in entrepreneurship.
>
> - Work with education providers to make entrepreneurship visible and viable.

▶ 6. Ecosystem leadership depends on one or two people

The challenge:

Often, the whole network depends on a single passionate individual (from city hall or the private sector). When they leave, momentum drops.

Why it matters:

Sustainability requires distributed leadership, succession planning, and institutional backing.

> **Try this:**
>
> - Invest in team capacity and peer-to-peer learning within your municipality.
>
> - Share contacts, networks, and roles — don't let everything sit with one person.
>
> - Engage diverse voices: youth, female founders, migrant entrepreneurs.

Quote from the masterclass:

> *"Ideally, it wouldn't just be one person leading the ecosystem.*
> *But it often is."*

5 COMMON MISTAKES WHILE BUILDING AN ECOSYSTEM – AND HOW TO AVOID THEM

Things we've seen go wrong — so you don't have to repeat them.

▶ 1. Thinking the building is the ecosystem

A new hub won't fix a fragmented ecosystem. The value is in the people, connections, and culture — not the bricks.

🙂 *Try instead: Build community first, space second. Use existing venues creatively.*

▶ 2. Focusing only on startups, not scale-ups or solopreneurs

Not every entrepreneur wants to be the next unicorn. Ignoring smaller or "lifestyle" ventures weakens diversity and sustainability.

🙂 *Try instead: Support a range of entrepreneurs — side hustlers, returnees, freelancers, and niche innovators.*

▶ 3. Trying to "control" the ecosystem

Ecosystems thrive when cities curate, not command. Over-engineering kills trust and agility.

🙂 *Try instead: Enable collaboration, step back when needed, and let the network breathe.*

▶ 4. Making everything dependent on one person or team

When a single champion leaves, progress can stall or vanish.

🙂 *Try instead: Build a distributed leadership group. Share contacts, knowledge, and responsibilities across institutions.*

▶ 5. Confusing activity with impact

Events, grants, coworking spaces... these are tools — not outcomes. Without a clear purpose, they become noise.

🙂 *Try instead: Ask: What change are we trying to create for entrepreneurs, and how will we know it's working?*

QUICK ECOSYSTEM AUDIT TOOL

How healthy is your local entrepreneurial ecosystem?

This tool helps you assess strengths and gaps across the six pillars of an entrepreneurial ecosystem, using two sub-dimensions per pillar.

Each item is rated on a scale of 1–5:

- **1 = Not at all true**

- **5 = Fully in place and working well**

Use it as a workshop tool, internal reflection sheet, or team discussion starter.

1. POLICY

Sub-dimension	Score (1–5)	Comments
Strategic Commitment: Entrepreneurship is a clear, public, and resourced priority in city strategies.	☐	
Inclusive Policy Dialogue: Entrepreneurs are meaningfully involved in shaping local policy.	☐	

2. FINANCE

Sub-dimension	Score (1–5)	Comments
Access to Local Support: Startups can access grants, soft loans, or public support schemes.	☐	
Connectivity to Private Finance: There are clear pathways to connect to angels, VCs, crowdfunding, or regional funds.	☐	

3. CULTURE

Sub-dimension	Score (1–5)	Comments
Entrepreneurial Mindset: Entrepreneurship is socially accepted, visible, and celebrated.	☐	
Community Spirit: There's a "pay-it-forward" culture and informal peer support among founders.	☐	

4. SUPPORTS

Sub-dimension	Score (1–5)	Comments
Business Support Services: Startups can access coaching, training, advice, and mentoring when needed.	☐	
Infrastructure & Navigation: Physical spaces and guidance (e.g. directories, support maps) are available and easy to find.	☐	

5. HUMAN CAPITAL

Sub-dimension	Score (1–5)	Comments
Skills Pipeline: There is collaboration with education/training providers to grow entrepreneurial and digital skills.	☐	
Talent Retention & Diversity: Local strategies support the inclusion of returnees, youth, and underrepresented groups.	☐	

6. MARKETS

Sub-dimension	Score (1–5)	Comments
Local Market Access: Startups can sell locally — including to the municipality as an early customer.	☐	
External Market Reach: Entrepreneurs can access regional/national/international buyers, events, or export support.	☐	

TOTAL SCORE: _____ / 60

Use this as a prompt for deeper reflection, not just a number. Even a strong score in one area may hide specific weaknesses — and even a low score may indicate a great opportunity for change.

Next Steps:

- Discuss your scores with colleagues, ULG members, or ecosystem partners

- Identify 1–2 areas to focus on improving over the next 6–12 months

- Use this as a starting point for a series of interactive sessions with stakeholders, deep-diving in each aspect, one at a time, identifying specific challenges and possible solutions, actions.