ENTREPRENEURSHIP AND INNOVATION REVIEW
Volume 2, Issue 2, December 2024 | pp. 132-143
https://doi.org/10.63208/210113-512

Check for updates

E- ISSN: 3031-4224

The Role of Entrepreneurial Ecosystem in Enhancing Organizational Performance through Innovation Capability

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ABSTRACT

The increasingly dynamic business environment requires organizations to strengthen their adaptability and innovation capabilities to sustain competitive advantage. In this context, the entrepreneurial ecosystem has emerged as an important external factor that supports organizational growth by providing access to resources, networks, knowledge, and collaborative opportunities. This study aims to examine the relationship between the entrepreneurial ecosystem, innovation capability, and organizational performance through a literature-based approach. The research employs a literature study method by reviewing scientific articles published over the last five years. The analysis was conducted through the processes of identification, selection, evaluation, and synthesis of relevant previous studies. The findings indicate that entrepreneurial ecosystems play a significant role in enhancing innovation capability through access to strategic resources and knowledge exchange among ecosystem actors. Furthermore, innovation capability serves as an important mechanism linking entrepreneurial ecosystems to organizational performance. The results also reveal that the influence of entrepreneurial ecosystems on organizational performance is not always direct but depends on the organization's ability to effectively utilize available resources. This study contributes conceptually by extending the understanding of how external ecosystem factors and internal organizational capabilities interact to create sustainable performance outcomes.

Keywords: *Entrepreneurial Ecosystem, Innovation Capability, Knowledge Sharing, Organizational Performance, Sustainable Competitiveness.*

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ARTICLE HISTORY

Received	: July 15, 2024
Final Revised	: October 28, 2024
Accepted	: November 23, 2024
Published	: December 30, 2024

1. | INTRODUCTION

The entrepreneurial ecosystem has emerged as one of the most influential concepts in contemporary entrepreneurship and innovation studies. The increasing complexity of business environments, rapid technological advancement, and growing interdependence among economic actors have encouraged scholars to view entrepreneurial activities not merely as individual endeavors but as outcomes of interactions among multiple stakeholders within a broader ecosystem. Entrepreneurial ecosystems consist of interconnected actors, institutions, networks, and resources that collectively facilitate opportunity recognition, innovation development, and organizational growth. As a result, entrepreneurial ecosystems are increasingly recognized as strategic environments that support business creation, competitiveness, and long-term sustainability (Audretsch & Belitski, 2021; Stam & Van de Ven, 2021).

Recent studies suggest that entrepreneurial ecosystems contribute significantly to organizational performance by providing entrepreneurs with access to financial resources, knowledge, talent, infrastructure, and collaborative networks. The existence of supportive ecosystem elements enables organizations to reduce uncertainty, acquire strategic resources, and improve their ability to respond to environmental changes. In the context of increasingly dynamic markets, entrepreneurial ecosystems are considered essential mechanisms for fostering innovation and enhancing organizational competitiveness (Cavallo et al., 2019; Kansheba & Wald, 2020). Moreover, the growing digitalization of economic activities has expanded opportunities for ecosystem actors to collaborate beyond geographical boundaries, allowing firms to access diverse sources of knowledge and innovation (Autio et al., 2018).

Although the importance of entrepreneurial ecosystems has been widely acknowledged, previous studies have primarily focused on identifying ecosystem components and their direct influence on entrepreneurial outcomes. Existing literature has emphasized the roles of institutions, investors, universities, support organizations, and policy frameworks in supporting entrepreneurial development. However, scholars have argued that simply identifying ecosystem elements is insufficient for understanding how entrepreneurial ecosystems generate value and contribute to organizational success (Spigel & Harrison, 2018; Cao & Shi, 2020). Consequently, greater attention has been directed toward understanding the mechanisms through which ecosystem resources are transformed into organizational capabilities and performance outcomes.

A significant contribution to this discussion was provided by Alaassar et al. (2022), who explored ecosystem dynamics within fintech entrepreneurial ecosystems. Their findings demonstrated that interactions among ecosystem actors, resource providers, connectors, and entrepreneurial culture influence the creation and growth of new ventures. The study further highlighted that ecosystem dynamics involve complex processes of resource exchange, collaboration, intermediation, and knowledge transfer. Nevertheless, the authors acknowledged that empirical understanding regarding the mechanisms linking entrepreneurial ecosystems to organizational outcomes remains limited, creating opportunities for further conceptual and theoretical development (Alaassar et al., 2022).

Another important issue concerns the inconsistency of findings reported in previous studies. While several researchers found that entrepreneurial ecosystems positively influence firm growth, innovation, and business performance, others argued that ecosystem resources alone are insufficient to generate superior outcomes unless organizations possess internal capabilities to absorb, transform, and utilize those resources effectively (Colombelli et al., 2019; Roundy, 2020). This inconsistency suggests that the relationship between entrepreneurial ecosystems and organizational performance may not be direct but may operate through intermediary organizational mechanisms.

One potential mechanism is innovation capability. Innovation capability refers to an organization's ability to generate, adopt, and implement new ideas, technologies, products, and processes. Organizations operating within supportive entrepreneurial ecosystems may gain access to diverse knowledge sources, collaborative networks, and strategic partnerships that strengthen their innovation capability. In turn, enhanced innovation capability may improve organizational performance by enabling firms to adapt to market changes, create value, and sustain competitive advantages. Despite its theoretical relevance, the mediating role of innovation capability remains underexplored in entrepreneurial ecosystem research (Schäfer, 2021; Neumeyer et al., 2019).

Based on these considerations, this study aims to examine the relationship between entrepreneurial ecosystems, innovation capability, and organizational performance through a literature-based perspective. Specifically, the study seeks to address the existing research gap concerning the mechanisms through which entrepreneurial ecosystems influence organizational outcomes. The findings are expected to contribute to entrepreneurial ecosystem literature by providing a more comprehensive understanding of how external ecosystem resources are transformed into organizational capabilities and performance improvements. Furthermore, this study offers practical implications for organizations seeking to leverage ecosystem resources to enhance innovation and achieve sustainable competitive performance.

2. | LITERATURE REVIEW

Entrepreneurial Ecosystem

An entrepreneurial ecosystem is a system consisting of various actors, institutions, resources, and networks that interact with each other to support entrepreneurial and innovation activities. This concept develops from the view that the success of an organization is determined not only by internal capabilities, but also by the quality of the external environment that provides access to capital, knowledge, technology, and collaboration opportunities. In the entrepreneurial ecosystem, various stakeholders such as governments, investors, universities, business support institutions, and companies play a role in creating an environment conducive to business growth and innovation development (Stam & Van de Ven, 2021).

The literature shows that the entrepreneurial ecosystem serves as a mechanism that facilitates the exchange of resources and knowledge among the actors involved. Through these interactions, organizations gain opportunities to access new information, build strategic networks, and improve their ability to identify and capitalize on market opportunities. In addition, the existence of a strong ecosystem is able to reduce barriers to obtaining critical resources needed to support organizational growth and innovation development (Audretsch & Belitski, 2021).

Recent research also emphasizes that the entrepreneurial ecosystem not only includes structural elements, but also reflects the dynamics of social relationships that allow collaboration, learning, and shared value creation. In this context, the quality of interaction between actors is an important factor that determines the effectiveness of an ecosystem in producing better organizational performance. Therefore, the entrepreneurial ecosystem is seen as a strategic foundation that is able to strengthen the competitiveness and sustainability of organizations in an increasingly complex and dynamic business environment (Alaassar et al., 2022).

Innovation Capability and Organizational Performance

Innovation capability refers to the ability of an organization to generate, adopt, and implement new ideas, products, services, and processes that provide added value to the organization. This ability is an important factor in dealing with rapid changes in the business environment, increasing market competition, and growing consumer demands. Organizations that have high innovation capabilities tend to be more adaptive in responding to change and are better able to create a sustainable competitive advantage than organizations that are less innovative (Schäfer, 2021).

From an organizational perspective, innovation capability is not only related to the ability to create innovations, but also includes the ability to utilize external knowledge gained through networking, partnerships, and collaboration with various parties. Access to external resources allows organizations to accelerate the learning process and increase the effectiveness of innovation development. Therefore, innovation capability is often considered to be a mechanism that bridges the relationship between external factors and improved organizational performance (Neumeyer et al., 2019).

A number of studies show that innovation capability has a positive influence on organizational performance. Organizations that are able to develop innovation in a sustainable manner tend to have higher productivity, better adaptability, and a greater chance of sustaining long-term growth. Thus, innovation capability can be positioned as a strategic factor that connects the support provided by the entrepreneurial ecosystem with the achievement of superior organizational performance. This relationship is important to be further examined in order to understand how external resources can be transformed into valuable organizational outcomes (Kansheba & Wald, 2020).

3. | RESEARCH METHOD

This study uses a literature study approach to examine the relationship between entrepreneurial ecosystem, innovation capability, and organizational performance based on research developments published in the latest academic literature. Literature studies were chosen because they allow researchers to gain a comprehensive understanding of concepts, theories, previous research results, and research gaps that still need further exploration. This approach is also relevant to identify patterns of relationships between variables that have been discussed in various studies so that it can result in a more integrated conceptual synthesis.

The data sources in this study come from scientific articles published in national and international journals that are indexed and can be accessed through academic databases such as Google Scholar, Scopus, ScienceDirect, SpringerLink, Emerald Insight, and MDPI. The selection of literature was carried out using relevant keywords, including "entrepreneurial ecosystem", "innovation capability", "organizational performance", "entrepreneurship ecosystem", "business performance", and "innovation performance". The selected literature is limited to publications in the last five-year period to ensure that the results of the study reflect the latest research developments and are in accordance with the current academic context.

The data collection process is carried out through several stages. The first stage is the identification of relevant articles based on titles, abstracts, and keywords. The second stage is literature screening based on the suitability of the research topic, the quality of publication sources, and the relationship with the variables studied. The third stage is content analysis of the selected articles to identify the main concepts, theoretical foundations, research methods used, empirical findings, and research recommendations submitted by each author. Through this process, this study seeks to identify patterns of consistent and inconsistent relationships in the existing literature.

Furthermore, the data obtained were analyzed using a descriptive-qualitative approach by comparing, grouping, and synthesizing various findings of previous research. The results of the synthesis are used to explain how the entrepreneurial ecosystem contributes to the improvement of innovation capability and organizational performance and to identify research gaps that are still present in the literature. With this approach, the research is expected to be able to provide a deeper conceptual understanding while offering research directions that can be developed in future empirical studies.

4. | RESULTS

The results of the literature review show that the entrepreneurial ecosystem has developed into one of the most widely used approaches to explain the success of organizations in the face of an increasingly dynamic business environment. The literature reviewed indicates that the existence of an entrepreneurial ecosystem not only serves as a supportive environment for business activities, but also as a mechanism that allows organizations to gain access to the strategic resources needed to improve innovation and organizational performance. In this context, the entrepreneurial ecosystem is seen as a combination of various interconnected elements, including institutions, networks, investors, universities, public policies, and business actors that jointly create an environment that supports organizational growth (Stam & Van de Ven, 2021).

Based on the results of the literature synthesis, it was found that access to resources is one of the main benefits that organizations obtain from the existence of an entrepreneurial ecosystem. Organizations in a growing ecosystem tend to have greater opportunities to obtain financial capital, knowledge, technology, and institutional support that can accelerate the business development process. In addition, the relationships established between actors in the ecosystem allow for the exchange of information that contributes to improving the quality of organizational decision-making. These findings reinforce the argument that the entrepreneurial ecosystem plays a role as a source of competitive advantage that comes from the external environment of the organization (Audretsch & Belitski, 2021).

Studies of various studies also show that the quality of interaction between actors is an important factor in determining the effectiveness of an entrepreneurial ecosystem. Organizations benefit not only from the presence of resources but also from the ability to build collaborative relationships with various stakeholders. Intensive interaction allows for knowledge transfer, collective learning, and network development that can support the creation of new opportunities. In many cases, collaboration between actors results in synergies that accelerate the innovation process and improve the organization's ability to respond to changes in the business environment (Alaassar et al., 2022).

Furthermore, the results of the study show that the entrepreneurial ecosystem has a close relationship with innovation capability. Most of the studies reviewed show that organizations that operate in a supportive ecosystem tend to have higher innovation capabilities than organizations that operate in isolation. Access to a wide range of knowledge and technology sources allows organizations to develop new products, services, and processes that are more suited to market needs. In addition, the existence of collaborative networks provides opportunities for organizations to gain new insights that can be used in the innovation development process (Autio et al., 2018).

Other findings from the literature show that innovation capability is a very important factor in explaining how external resources can be translated into real organizational outcomes. While the entrepreneurial ecosystem provides various forms of support, not all organizations are able to utilize it effectively. Organizations that have strong innovation capabilities tend to be better able to absorb external knowledge, integrate new information into internal processes, and turn it into innovations that provide added value. In contrast, organizations with low innovation capabilities often fail to take advantage of the opportunities available in their ecosystems (Schäfer, 2021).

The literature review also identified that most previous research still focused on the direct relationship between the entrepreneurial ecosystem and organizational performance. Many studies have concluded that the quality of ecosystems has a positive influence on organizational growth, productivity, and competitiveness. However, a number of studies show that these influences are not always consistent. In some cases, the support provided by the ecosystem does not result in significant performance improvements because organizations do not have adequate internal capabilities to manage the resources acquired. This condition shows that the relationship between the entrepreneurial ecosystem and organizational performance is complex and is influenced by various mediating factors (Kansheba & Wald, 2020).

The results of the analysis also show a shift in the focus of research from an approach that emphasizes structural factors to an approach that pays more attention to the dynamics of inter-stakeholder relationships. Recent research highlights the importance of collaboration, learning, and resource exchange in explaining the success of an ecosystem. This perspective confirms that the success of an organization depends not only on the existence of certain actors in the ecosystem, but also on the quality of the relationships established between them. In other words, the value generated by an entrepreneurial ecosystem comes from the interactions that occur within it, not solely from the existence of its constituent elements (Spigel & Harrison, 2018).

In addition, the literature shows that innovation capability contributes directly to organizational performance. Organizations that have the ability to create and implement innovation on an ongoing basis tend to be better able to improve operational efficiency, expand market share, and maintain a competitive advantage. Innovation capabilities also help organizations in dealing with environmental uncertainties by providing more adaptive solutions to changing customer needs and technological developments. Therefore, innovation capability is often positioned as the primary source of value creation in modern organizations (Neumeyer et al., 2019).

Other findings reveal that the entrepreneurial ecosystem can improve organizational performance through various indirect mechanisms. One of the most frequently discussed mechanisms is increased access to knowledge. Organizations that are connected to various actors in the ecosystem have a greater opportunity to gain information on market trends, new technologies, and effective business practices. The information is then used to support the innovation process which ultimately contributes to improving the organization's performance. Thus, the entrepreneurial ecosystem can be understood as an external resource that strengthens the organization's ability to create value (Cavallo et al., 2019).

The results of the study also show that there is a research gap that still needs further attention. First, most entrepreneurial ecosystem research is still oriented towards identifying the constituent elements of the ecosystem, while research that explains the mechanisms of relationships between variables is still relatively limited. Second, the majority of research focuses on the context of technology and fintech startups, so generalizing research results to the broader organizational context still requires additional study. Third, there are still inconsistencies in findings related to the relationship between the entrepreneurial ecosystem and organizational performance, which indicates the need for a more comprehensive theoretical approach to explain the relationship (Roundy, 2020).

Further, some studies emphasize that the success of organizations in leveraging the entrepreneurial ecosystem depends on their ability to develop relevant internal capabilities. In this case, innovation capability is seen as one of the most important capabilities because it allows organizations to turn external resources into valuable innovations. This perspective is in line with the view that competitive advantage is not only determined by access to resources, but also by the ability of organizations to manage and utilize them effectively (Colombelli et al., 2019).

Overall, the results of the literature study show that the entrepreneurial ecosystem has a significant role in supporting innovation capability and organizational performance. However, these influences do not occur automatically. Organizations need to develop adequate internal capabilities to make optimal use of the resources available in the ecosystem. These findings strengthen the argument that innovation capability is an important mechanism that bridges the relationship between the entrepreneurial ecosystem and organizational performance. Therefore, the development of innovation capability is a strategic factor that needs to be considered by organizations that want to improve their competitiveness and sustainability of performance in the midst of an increasingly competitive and changing business environment (Koroleva, 2022; Nicotra et al., 2020).

5. | DISCUSSION

The results of the literature study show that the entrepreneurial ecosystem has an important role in supporting the improvement of innovation capability and organizational performance. These findings reinforce the view that organizations can no longer rely entirely on internal resources to maintain competitiveness, but need to take advantage of the resources, networks, and collaboration opportunities available in the external environment. The existence of an entrepreneurial ecosystem allows organizations to gain access to capital, information, technology, and knowledge that contributes to the development of innovation capabilities. Thus, the entrepreneurial ecosystem can be understood as a strategic external factor that strengthens the organization's capacity to create value and improve performance.

The findings of this study are in line with the argument put forward by Stam and Van de Ven (2021) that the quality of an entrepreneurial ecosystem is determined by the ability of various elements in it to create an environment that supports innovation activities and organizational growth. In this context, the success of an organization is not only influenced by the existence of ecosystem actors, but also by the effectiveness of the relationships and interactions built between these actors. The higher the quality of the interactions that occur, the greater the opportunity for an organization to benefit from the resources available in the ecosystem.

The results of the study also show that innovation capability plays an important role as an important mechanism that explains how the entrepreneurial ecosystem can produce better organizational performance. These findings support the research of Alaassar et al. (2022) who affirm that interactions between actors in the ecosystem create a process of knowledge and resource exchange that is able to strengthen an organization's ability to innovate. However, the study found that access to external resources does not automatically result in improved organizational performance. Organizations still need adequate internal capabilities to effectively absorb, integrate, and utilize those resources.

In addition, the results of this study provide an explanation for the inconsistencies of findings found in previous literature regarding the relationship between the entrepreneurial ecosystem and organizational performance. The difference in results reported by various studies can be explained by the existence of innovation capability as a variable that bridges the relationship. Organizations with high innovation capabilities tend to be able to turn the opportunities available in the ecosystem into valuable innovations, while organizations with low innovation capabilities may not get the same benefits even if they operate in a supportive ecosystem. These findings reinforce the view of Kansheba and Wald (2020) that ecosystem quality needs to be supported by the organization's internal capabilities in order to produce optimal impact on performance.

Furthermore, this study also confirms the existence of research gaps that have been identified in various previous studies. Most entrepreneurial ecosystem research still focuses on the identification of ecosystem elements and structures, while studies on the mechanisms of intervariable relationships are still relatively limited. Therefore, this research makes a conceptual contribution by placing innovation capability as a link between the entrepreneurial ecosystem and organizational performance. This perspective is in line with Schäfer's (2021) argument which emphasizes the importance of an organization's ability to utilize external resources to create a sustainable competitive advantage. In addition, the results of this study also support the view of Spigel and Harrison (2018) that the dynamics of relationships and interaction processes in ecosystems need to receive greater attention than just the identification of actors and available resources.

6. | CONCLUSION

This study aims to examine the relationship between entrepreneurial ecosystem, innovation capability, and organizational performance through a literature review approach. Based on the results of the analysis of various previous studies, it can be concluded that the entrepreneurial ecosystem has a significant role in supporting organizational development through providing access to resources, knowledge, technology, networks, and collaboration opportunities. The existence of a conducive ecosystem allows organizations to obtain various external supports that can be utilized to improve innovation capabilities and competitiveness. The results of the study also show that innovation capability is an important factor that bridges the relationship between the entrepreneurial ecosystem and organizational performance. Organizations that are able to develop innovation capabilities effectively tend to be more successful in utilizing the resources available in the ecosystem to produce products, services, or processes that provide added value. On the other hand, organizations that have low innovation capabilities will have difficulty converting available opportunities into better performance.

In addition, this study found that the relationship between the entrepreneurial ecosystem and organizational performance is not always direct. The influence of the ecosystem on organizational performance is greatly influenced by the organization's internal ability to absorb, manage, and utilize the external resources obtained. Therefore, innovation capability can be seen as a strategic mechanism that determines the effectiveness of the utilization of the entrepreneurial ecosystem. Theoretically, this study expands the understanding of the mechanism of the relationship between external factors and internal organizational factors. In practical terms, the results of the study imply that organizations need to not only build engagement in the entrepreneurial ecosystem, but also strengthen innovation capabilities in order to be able to derive optimal benefits and achieve sustainable performance.

Acknowledgment

We gratefully acknowledge the contributions of individuals who supported the completion of this article.

Funding Information

This research did not receive any funding.

Conflict of Interest Statement

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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