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THE POTENTIAL OF SMALL TOWNS TO FOSTER BUSINESS DEVELOPMENT AND LOCAL ENTREPRENEURIAL ECOSYSTEMS

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Purpose: The article identifies characteristics that foster entrepreneurship and support startup-oriented entrepreneurial ecosystems.
Design/methodology/approach: A qualitative approach based on interviews was used. The research tool was based on Spigel's entrepreneurial ecosystem model, expanded to include factors specific to small territorial units, identified through a literature review. 32 start-up representatives from small towns, medium and large cities participated in the interviews.
Findings: Around 75% of respondents from small towns report a favorable business climate. Key advantages include local relationships, social capital, a business-friendly climate, and lower operating costs. This means that the entrepreneurial climate in small towns is primarily based on social capital, relationships, and cost factors rather than industry specialization.
Research limitations: The main limitation is the small sample size typical for qualitative approach, which limits the generalizability of findings.
Practical implications: Entrepreneurs operating in small cities should actively use social capital and local networks as sources of customers, partners, and business support.
Originality/value: The paper combines the perspective of the entrepreneurial ecosystem, start-ups and small towns, an area still unexplored in the literature.
Keywords: entrepreneurial ecosystem, small towns, start-up.
Category of the paper: Research paper.

1. Introduction

According to the population-based classification of territorial units used by the Central Statistical Office and adopted in the literature (e.g., Heffner, 2016; Zadęcka, 2018), small towns are defined as units with city rights and a population of fewer than 20,000. There are currently approximately 600 small towns in Poland, representing nearly 60% of all towns in the country. Small towns play a significant role in the national settlement structure, serving as a crucial link between rural areas and larger urban centers. They also contribute to territorial cohesion,

balanced regional development, and the mitigation of spatial inequalities, which are key objectives of contemporary regional policy.

Despite their importance, for many years there has been little interest in research on small territorial units in the scientific and business communities (Okulicz-Kozaryn, 2017). Only in recent years has there been a significant increase in the number of scientific studies on smaller towns. Research on small towns is increasingly becoming interdisciplinary, engaging representatives from fields such as geography, sociology, economics, urban planning, management, and territorial marketing (Przesmycka, 2025). However, much of this research remains fragmented and predominantly descriptive, with limited integration into broader theoretical frameworks such as entrepreneurial ecosystems or regional innovation systems. This creates a noticeable gap in understanding how small towns function as environments for entrepreneurship development.

Due to limited financial, human, and expert resources, small towns are unable to fully implement the investment, marketing, and revitalization strategies successfully employed by large urban centers. This does not, however, mean that they cannot effectively compete for the attention and interest of key audiences. A city's competitiveness largely depends on the ability of local authorities to undertake development initiatives, often burdened with risk, as well as on the competence level of those responsible for their implementation (Getz, 2017). Limited human and organizational resources often result in a lack of knowledge and tools needed to conduct creative promotional activities tailored to the specificities and unique characteristics of a given city (Richards, Duif, 2019). However, properly identifying and leveraging unique characteristics can constitute a significant competitive advantage. In this context, endogenous development factors, social capital, and local institutional capacity become particularly important determinants of competitiveness in small towns.

Domestic and foreign investors remain important target groups in small towns' marketing efforts. Small urban centers possess several attributes that distinguish them from larger cities, making them particularly attractive from an investment and business perspective. This article aims to identify the characteristics of small towns that foster entrepreneurship and assess them from the perspective of creating entrepreneurial ecosystems that support the development of startups. By doing so, the study contributes to the ongoing discussion on the spatial. diversification of entrepreneurial ecosystems and extends existing research beyond large metropolitan areas, which are typically overrepresented in the literature.

However, despite the growing body of research on small towns, existing studies still provide limited insight into whether small towns can create conditions supportive of start-up development and entrepreneurial ecosystems comparable to those observed in metropolitan areas (Spigel, 2017; Okulicz-Kozaryn, 2017). Previous research has mainly focused either on descriptive analyses of small towns or on entrepreneurial ecosystems in large urban centers, leaving smaller territorial units relatively underexplored (Przesmycka, 2025). Moreover, studies emphasize the role of social capital, local networks, and institutional capacity in local

development processes (Richards, Duif, 2019; Getz, 2017), but there is insufficient knowledge regarding which of these factors are perceived by entrepreneurs as the most important for start-up development in small towns. Finally, comparative analyses between the entrepreneurial climate of small towns and that of larger cities remain limited in the literature.

These research gaps provided the basis for formulating the following research questions:

1. Are Polish small towns perceived as an environment conducive to the establishment and development of startups?
2. What factors most significantly shape the entrepreneurial climate in small Polish towns?
3. Does the entrepreneurial climate in small Polish towns differ from that in large cities?

The remainder of the paper is structured as follows. The next section reviews the literature on the conditions of entrepreneurship in small towns. This is followed by a presentation of the research methodology. The subsequent sections present and discuss the empirical findings. The paper concludes with key findings, practical implications, and directions for future research.

2. Development of entrepreneurship in small towns

2.1. Conditions of small towns that favor entrepreneurship

The investment attractiveness of small towns differs somewhat from that of larger urban centers, stemming from both the specific characteristics of local communities and the management style of local governments (Richards, Duif, 2019). Differences in the functioning of investors across smaller territorial units can be observed, related to the organization of local economic ecosystems. Factors supporting the development of business ventures in such towns align with the concept of entrepreneurial ecosystem domains, including human capital, the market, institutional support, culture, finance, and public policy (Isenberg, 2010). From the perspective of local governments, appropriately highlighting and communicating these elements is crucial, as it promotes the location and attracts investors.

In small towns, entrepreneurs operate in lower business density (Markowicz, 2016), which, in practice, translates into less competition and favors the development of new ventures, especially in the initial stages of their operations. An additional advantage is the lower cost of acquiring real estate and commercial space, which results from limited demand and lower levels of competition compared to large urban centers (Roundy, 2017).

In small territorial units, communication systems based on collaboration and information exchange can function particularly effectively, partially compensating for the lack of specialized knowledge resulting from fewer specialized management staff (McDermott, 2016).

This allows potential investors and local entrepreneurs to quickly obtain information and answers to inquiries, which is an important element of a favorable investment climate.

From the perspective of marketing communications and image-building, particularly in small towns, a territorial entity's image is one of the most important intangible assets influencing investment decisions. External investors are more likely to choose cities where local authorities demonstrate ambition, competence, and awareness in implementing development plans (McDonald, Bailly, 2017). Pro-investment attitudes among local government representatives reduce the risk of misunderstandings, delays, and a lack of support from investors' perspectives. At the same time, active engagement in establishing and maintaining relationships increases the likelihood of attracting investment in a given city.

Importantly, such initiatives do not require significant financial outlays, and their effectiveness depends primarily on the number and nature of priority issues within a given local government unit. Therefore, administrators of smaller cities can engage more in building direct contacts with investors than those in large urban areas, where the number of ongoing issues limits the ability to tailor approaches to external partners.

It is worth emphasizing that the European Union is currently undertaking several initiatives to improve the quality of life of residents of small towns and rural areas (Przesmycka, 2024). One of the key instruments in this regard is the EU Cohesion Policy 2021-2027, which introduces new priorities and mechanisms for financing local development. Its overarching goals include digital transformation and strengthening social and economic resilience. As part of its cohesion policy, the EU supports programs that support local economies, job creation, and social integration, which can provide an additional development stimulus for small towns seeking new ways to build investment attractiveness.

2.2. Limitations of small towns related to the development of entrepreneurship

Despite the numerous advantages inherent to small towns, they face several barriers that significantly limit their potential and hinder development. Small territorial units most often face barriers that focus on three fundamental areas (Farelnik, 2018, p. 104):

Social:

- migration of people, especially young people,
- limited opportunities for education, training, and skills development,
- limited number and type of services.

Economic:

- low level of innovation,
- limited availability of investment areas,
- disparities in local government budgets.

Spatial:

- often neglected areas and historical monuments,
- urban wastelands,
- poor recognition and attractiveness of recreational and tourist areas.

In the social sphere, one of the most serious threats to the development of small towns remains population outflow, particularly of young people. This phenomenon constitutes a significant barrier to development, primarily due to the limited number of jobs available in local labor markets (Zadęcka, 2018). An additional factor contributing to migration is the insufficient educational opportunities in small towns, which encourage residents to leave their homes not only at the stage of pursuing higher education, but often as early as secondary school (Józefowicz, 2024). Small-town authorities have limited options for countering these processes. Therefore, some researchers argue that strategic and marketing activities should focus more on attracting new potential residents, especially educated individuals who could constitute significant human capital, rather than on developing local educational opportunities to improve the competencies and qualifications of current residents (Bacolod, Blum, Strange, 2009).

A significant element shaping a city's image is its offering, understood as the range and structure of available urban products and services (Florek, Glińska, Kowalewska, 2009). The level of social development largely depends on residents' ability to meet their needs in their place of residence, utilizing available urban offerings. In the context of city management and the implementation of sustainable development principles, residents are considered by many authors to be a key stakeholder group (Zdon-Korzeniowska, 2011; Kesgin, Murthy, Pohland, 2019). At the same time, organizing social life in small towns is significantly more difficult than in large cities. The limited availability of public and commercial services contributes to exclusion from the urban offerings residents expect. This situation necessitates using services in larger urban centers, which, in the long term, may lead to a gradual outflow of people from small towns.

In the economic context, the development potential of small towns is significantly lower than that of larger urban centers (Stawasz, 2016). These limitations stem, among other things, from a shortage of financial and material resources that could support the implementation of diverse investments of varying scales (Stawasz, 2016). An additional factor hindering the economic development of small towns is staffing shortages in local governance structures. The insufficient number and limited competencies of management staff hinder the implementation of innovative and creative initiatives that could contribute to the attractiveness and competitiveness of territorial units (Richards, Duif, 2019).

From a national policy perspective, small towns are not treated as a priority area for development intervention (Czarnecki, 2013). Consequently, they are often overlooked in the process of formulating coherent strategies and support programs at the national level, which constitutes one of the key barriers to their development (Józefowicz, 2024). The lack of a systematic approach to small-town issues deepens existing development disparities and limits

their ability to compete with larger centers. At the same time, entrepreneurship is currently considered one of the key indicators for assessing a city's significance and its role in the regional structure (Nowak, Lusarczyk, 2010). Small-town authorities recognize the need to strengthen entrepreneurial attitudes among residents and to undertake various activities to stimulate local entrepreneurship. However, in recent years, there has been a significant decline in residents' willingness to start and develop their own businesses. This phenomenon is a consequence of, among other things, unfavorable macroeconomic conditions, such as high inflation, as well as growing competition from cheap discount chains, which limit the profitability of small, local enterprises (Kulawiak, 2022).

In the spatial sphere, a characteristic problem of many small towns is inefficient spatial development, manifested, among other things, by the occurrence of urban wastelands and degraded areas. Small towns encounter difficulties in limiting the inappropriate use of space, which results, among other things, from a lower level of institutional and planning preparation for comprehensive spatial transformation processes than in larger cities (Renn, 2013; Zadęcka, 2018).

Moreover, many small towns, due to poorly constructed development and territorial marketing strategies, struggle with a lack of a distinct local identity. Insufficient use of resources to create an attractive image leads to a lack of uniqueness and, consequently, a limited ability to stand out from competing centers. This results in low recognition of small towns both regionally and nationally (Richards, Duif, 2019).

2.3. Factors that foster the growth of startups in small towns

Innovative entrepreneurship is developing particularly rapidly in regional clusters or industrial districts (Schäfer, Brenning, 2024). A high concentration of companies and institutions in their immediate vicinity results in localized learning, which refers to the way knowledge and skills spread and are reinforced within a specific geographic area (van der Wouden, Youn, 2023). It is in large cities that the largest startup ecosystems are located. However, this does not mean that these are the only places conducive to the development of innovative entrepreneurship.

In the era of product digitization, the growing importance of services in the economy, and the emergence of virtual organizations, the physical location of startups is becoming less and less decisive for many business processes. Small cities, as locations for innovative business activity, have a range of advantages over large cities. For this reason, it is important to comprehensively examine the factors that foster the development of startups in small cities from the perspective of enterprises, which can be defined as:

- startups launched under conditions of high uncertainty (Ries, 2011),
- seeking a scalable business model (Blank, 2013),
- based on new technologies (Skala, 2017),
- in the early stages of development, up to 5 years old (European Commission, 2012).

2.4. Spiegel's model as an analytical framework for studying startup ecosystems

Spigel's model of entrepreneurial ecosystems is one of the key concepts regarding the formation and development of startups (Spigel, 2017). The author of the concept defines an entrepreneurial ecosystem as a set of interrelated cultural, social, and material attributes. Together, they create an environment conducive to the creation and survival of new companies. In this view, an ecosystem is not merely a collection of institutions, but primarily a relational structure in which entrepreneurs operate within networks of norms and collaboration, surrounded by infrastructure and resources. Spiegel divides the attributes of the ecosystem into three main categories comprising a total of 10 aspects, which are:

1. Cultural attributes:
    - a culture of entrepreneurship,
    - local success stories, and business traditions.
2. Social attributes:
    - networking and mentoring,
    - access to talent,
    - access to investment capital,
    - local leadership.
3. Physical attributes:
    - higher education institutions and research organizations,
    - business support services (incubators, accelerators),
    - physical and technical infrastructure,
    - public policies and regulations.

Despite its versatility, this model was designed primarily for developed entrepreneurial ecosystems in large cities. In the case of small towns, many elements of this model function differently, and some of them require reinterpretation and supplementation with factors typical of small towns. Based on the literature, three typical characteristics of small towns were identified that were not included in Spiegel's model: low business operating costs, social capital and local cooperation networks, and quality of life and social stability.

2.5. Low operating costs

The primary advantage small towns have over large cities is lower operating and living costs. Start-ups in Poland are most often financed with the founders' own funds, so reducing their living costs directly increases the company's budget (Majewski, 2025). Compared to large urban centers, small cities offer cheaper office space, affordable labor costs, and more favorable prices for professional services (Medina et al., 2023). These conditions lower the barrier to market entry and subsequently support financial liquidity by reducing expenses. This is a particularly important aspect from the perspective of startups, which face financial challenges in the pre-launch phase and liquidity issues in the launch phase (Stam, Schutjens, 2004).

Startups are companies that do not always know their business model or their customers, and therefore their operations in the early stages are based on iteration and continuous experimentation (Skala, 2017). Lower fixed costs for a young, innovative company mean the ability to test and iteratively develop business models without the risk of costs as high as those in major cities. As a result, startups can devote more time to the experimentation and prototyping stages, and ultimately to product validation. This is an environment more conducive to lean startups, which supports organic growth not necessarily reliant on internal capital (Becker, Endenich, 2023). The literature treats low operating costs as a significant trade-off for the benefits of being located in a larger city (Stam, 2015). Affordable infrastructure, including office space, serves as a key factor in attracting entrepreneurs seeking conditions for stable and long-term growth, rather than merely rapid market expansion. As a result, small cities become attractive environments for companies that value low operating costs, organizational flexibility, and the ability to scale their operations gradually.

2.6. Social capital and local networks of cooperation

In this study, social capital is understood as the set of trust-based relationships, norms of reciprocity, and informal cooperation mechanisms embedded within local communities (Huggins, Thompson, 2015). It should be distinguished from relational proximity, which refers to the ease and frequency of direct interpersonal interactions resulting from geographical and social closeness in small towns (Boschma, 2005). Institutional support, in turn, relates to formal actors and mechanisms such as local authorities, business support organizations, and public initiatives supporting entrepreneurship. In small towns, informal interactions occur more frequently, stemming from direct contact in public spaces or during community initiatives (Lebrun et al., 2021). Networks of relationships there are dense and personalized, making communication faster and more open, which leads to a higher level of trust. This is particularly important for startups, as they gain access to resources not available on the market. Among these are: access to tacit knowledge, recommendations, business partners, and early customers (Baraldi et al., 2019). Startups in small towns rely on different sources of knowledge than those in metropolitan areas. Instead of formal networks or events dedicated to startups, they more often turn to informal mentors or local experts for help.

2.7. Quality of life and social stability

Small towns have an advantage over large cities in terms of quality of life, which is a key factor in the location decisions of technology companies and startups (Scott, 2012). In smaller cities, commuting times are shorter and safety is greater, which translates to lower stress levels. This is particularly important for startups, which are created by small teams (initially, most often two founders), so the well-being of each team member has a direct impact on the company's effectiveness (Aryadita et al., 2023). Housing conditions in small towns are more favorable not only because of prices, but also due to better housing availability and proximity

to nature. Knowledge workers more often need time to recharge in a peaceful environment (Boge et al., 2019).

Quality of life is also strongly linked to talent retention. Smaller cities offer social stability, which promotes a balance between work and private life. This characteristic is cited as one of the most important for the younger generation of entrepreneurs (Ciccarelli et al., 2025). In smaller communities, employees show greater loyalty to their employers and, as a result, are less likely to change jobs (Partridge, Rickman, 2008). This is beneficial for startups that require a high level of employee commitment. Fewer job openings in smaller cities and lower living costs result in less pressure for higher wages, which is significant for startups that are, by definition, low-budget (Cassar, 2004).

2.8. Local niches and regional specialization

Small towns are often associated with economic niches that constitute their competitive advantages. These reflect their unique resources and values, such as industrial history, local expertise, and socio-economic structure (Asheim et al., 2011). Thanks to specialized knowledge, skills, and a long-term learning process in a given location, small cities can establish a foundation for local competitiveness. This serves as the basis for further innovation processes, even if the local market is small.

In this context, smart specialization is crucial, as it posits that regions, regardless of scale, should identify and strengthen fields where they possess unique advantages, rather than competing in areas where they lack potential (McCann, Ortega-Argilés, 2015). Start-ups operating in such specialized environments benefit from the effect of local roots, which include access to specialized suppliers, local know-how, networks of industry partners, and specific market data not found in other regions (Bugge, Øiestad, 2015). Local roots and smart specialization can be a factor that attracts innovative companies, despite limited local demand (Isaksen et al., 2018).

In the context of Polish small towns, local specializations may emerge in sectors linked to existing regional resources, industrial traditions, or place-based competencies. For example, furniture manufacturing and wood-processing industries are strongly developed in smaller towns in the Wielkopolska region, while agri-food processing and dairy production remain important in towns located in eastern and north-eastern Poland. Spa and tourism-oriented towns such as Polanica-Zdrój or Krynica-Zdrój have developed entrepreneurial activity around wellness, hospitality, and tourism services. In turn, towns located near major transport corridors increasingly specialize in logistics and warehousing services. Some smaller towns also attract IT freelancers and creative micro-enterprises due to lower operating costs and improving digital infrastructure. Although these specializations are smaller in scale than metropolitan clusters, they may still support entrepreneurial ecosystems by creating local know-how, supplier networks, and niche market opportunities.

3. Methods

To assess the operating conditions for startups in small towns, a research tool was developed based on Spigel's (2017) model of entrepreneurial ecosystems, expanded to include factors characteristic of small territorial units, identified through a review of the relevant literature. For analytical clarity, the study distinguishes between social capital (trust-based community relations), relational proximity (ease of direct interaction resulting from local embeddedness), and institutional support (formal support mechanisms provided by local organizations and authorities). Combining the classic attributes of an ecosystem with characteristics typical of small towns allows for a comprehensive understanding of the local conditions influencing the development of innovative enterprises (Table 1).

Table 1.
Spiegel's model adapted for small towns

Attribute (small-town version)	Diagnostic question	The attribute's role in the ecosystem	Relationship to Spigel's model (2017)
1. Entrepreneurial culture	Does the town have a climate conducive to starting businesses?	It boosts motivation, lowers barriers to entry, and normalizes entrepreneurship.	Attribute retained
2. Local success stories	Are there well-known local examples of successful companies?	Provide role models and increase entrepreneurs' confidence in their own abilities.	Attribute retained
3. Networks and trust	Do entrepreneurs easily establish partnerships thanks to local connections?	It facilitates access to knowledge, customers, partners, and support.	Attribute retained (key)
4. Low operating costs	Do living and operating costs realistically support business growth?	Reduces business risk and facilitates the experimentation phase for startups.	Replaces "access to capital"
5. Quality of life and social stability	Does the quality of life help maintain a stable and loyal team?	Increases talent retention, reduces stress, and lowers employee turnover.	Replaces "access to talent"
6. Local economic niches and specialization	Does the city have an industry or niche specialization that supports startups?	It creates local demand, access to know-how, and a sense of rootedness.	Replaces "access to talent"

Source: author's own elaboration based on (Spigel, 2017).

Of its ten attributes, those that are also present in small towns were retained: a culture of entrepreneurship, local success stories, networks of contacts, and basic support infrastructure. The remaining attributes, such as access to capital, talent, or knowledge institutions, have been replaced with elements specific to small towns. These include: low operating costs, high quality of life and social stability, and local economic niches based on smart specialization.

This adaptation resulted in a six-point diagnostic checklist that reflects the actual operating conditions for startups in small towns and allows for an assessment of whether a given urban center can create a micro-ecosystem conducive to innovative entrepreneurship. This list was then incorporated into the interview form. Before the study began, respondents were asked two screening questions designed to exclude those who did not meet the target population criteria.

These questions concerned the duration of business operation and the location of the business. The interview form was divided into three stages. The first stage involved asking respondents six questions regarding the conditions for start-up operations in cities on a dichotomous scale with possible "yes" or "no" answers. For each question, participants were asked to indicate whether the specified conditions conducive to start-up development were present in the city under analysis. Next, in the second stage, each participant was asked to evaluate the listed statements in the context of startup development using a five-point Likert scale, where 1 meant "definitely unimportant" and 5 meant "very important". In the final part of the study, respondents were asked to identify the statement (factor) they considered most important for startup development, along with a justification for their choice.

The study group consisted of 32 respondents representing startups in small, medium, and large cities. The average duration of an interview was approximately 20 minutes. Interviews were conducted using an MS Forms questionnaire or via telephone. Table 2 presents a breakdown of survey respondents by the size of the city in which they operate. The largest group consisted of respondents operating in large cities (50% of respondents).

Table 2.
Summary of the number of survey respondents by the size of the city in which they conduct business

Category	Number of respondents	Percentage
Big cities	16	50%
Medium-sized cities	8	25%
Small towns	8	25%

Source: authors' elaboration.

Descriptive statistics were analyzed for the study sample (N = 32). The mean age of the startups was 2.76 years. The median age was 2 years, and the mode was also 2 years. Values ranged from 1 to 5 years. The first quartile (Q1) was 2 years, while the third quartile (Q3) was 4.5 years, corresponding to an interquartile range of 2.5 years. The results indicate moderate variation in the age of the companies and a slight right-skewed distribution, as the mean was slightly higher than the median.

4. Results

The first section of questions consisted of 6 statements to which respondents were asked to answer "yes" or "no" (Table 3).

Table 3.
Questions asked of respondents in the first section of the interview

	Questions	Yes/No
1.	Is the city a good place to start a business?	
2.	Are there any well-known local examples of successful businesses in the city?	
3.	Do entrepreneurs find it easy to establish business partnerships thanks to local connections?	
4.	Do the costs of living and working in the city actually support the company's growth?	
5.	Does the quality of life in the city help foster a stable and loyal team?	
6.	Does the city have an industry or niche specialization that supports startups?	

Source: authors' elaboration.

The first question posed to business owners concerned the business-friendly environment for starting a company in the location where they operate. The highest percentage of affirmative responses was recorded in medium-sized and small cities (75% each). In large cities, however, this percentage was significantly lower (56.3%). This means that the entrepreneurial climate is rated relatively more favorably in smaller centers than in large metropolitan areas.

The second question concerned the presence in the city of well-known, local examples of companies that are successfully running a growing business. In this case, large cities stood out significantly, as many as 93.8% of respondents in this category confirmed the presence of such examples. In medium-sized and small cities, this percentage was lower, at 75%, indicating greater visibility of business successes in large urban centers.

In the third question, respondents were asked whether entrepreneurs in their city easily establish partnerships thanks to the existence of local relationships. Among respondents from large cities, only 37.5% answered "yes." In medium-sized and small cities, the percentage of affirmative responses was higher, at 50% each, suggesting that local relationships function relatively better.

Next, respondents were asked whether the cost of living and doing business in the city actually supports the company's growth. This factor was rated most favorably in medium-sized cities (75% "yes" responses), followed by small cities (62.5%). In large cities, however, negative responses prevailed, as only 43.8% of respondents considered the costs to be conducive to business growth.

The fifth question addressed the impact of quality of life on maintaining a stable and loyal team. The highest percentage of affirmative responses was recorded in medium-sized cities (75%), followed by small cities (62.5%), while in large cities this rate was lower at 56.3%.

Regarding the final question in this section, concerning the existence of an industry or niche specialization supporting the development of startups, large cities showed a clear advantage, as 50% of respondents in this category confirmed the presence of such a specialization. In medium-sized and small cities, the percentage of affirmative responses was significantly lower, at 25% each, which may indicate a lower sectoral concentration outside major urban centers. The distribution of responses to the questions is presented in Figure 1.

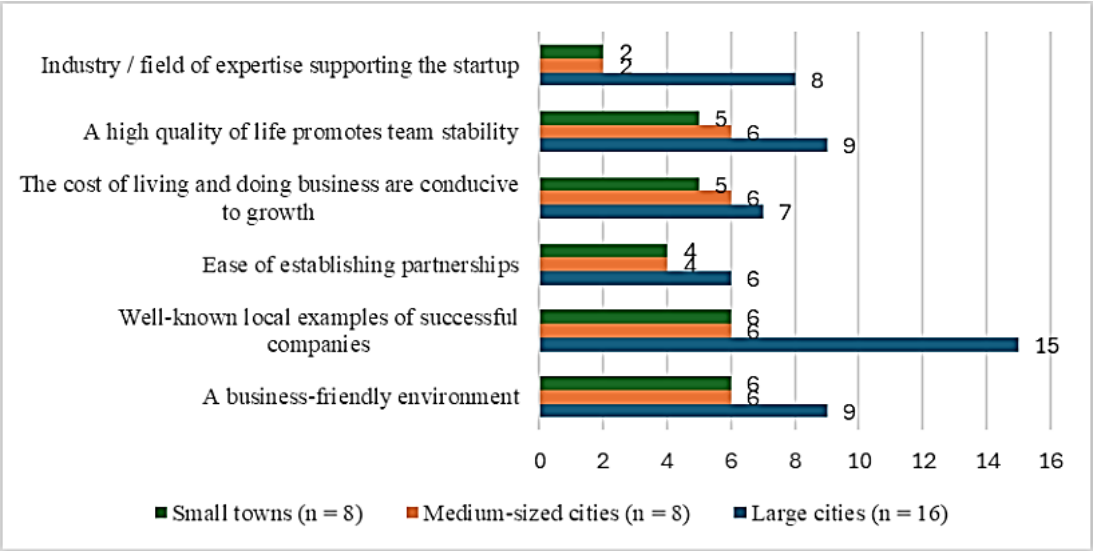

Figure 1. Assessment of operating conditions for startups-affirmative responses by city size.
Source: Authors' elaboration.

Figure 1 presents a comparison of the number of "yes" responses for specific aspects of startup operations, broken down by city size. The visualization allows for the identification of areas where large, medium, and small cities differ in their assessments of conditions conducive to entrepreneurial development.

The second section of the study involved evaluating six factors on a scale from 1, where the factor was definitely unimportant, to 5, meaning the factor was very important in the respondents' opinion. Table 4 presents the average ratings of startup development factors broken down by city size.

Table 4.
Average ratings of startup development factors (1–5) by city size

Factor	Large cities (N = 16)	Medium-sized cities (N = 8)	Small towns (N = 8)
A business-friendly environment	3,6	4,2	4,5
Local examples of successful companies	4,6	3,5	3
Local cooperation	3,2	4,1	4,4
Cost of living and running a business	2,9	4,5	4
A peaceful lifestyle	3	4,3	4,1
Industry specialization	4,5	3,2	2,8

Source: authors' elaboration.

Assessments of factors conducive to the development of innovative enterprises reveal clear differences between cities of different sizes in terms of the operating conditions for startups. The climate conducive to starting a business was rated higher in small and medium-sized cities than in large ones. In contrast, local examples of successful enterprises and the presence of industry specialization were rated highest in large cities. In terms of the cost of living and doing business, medium-sized cities received the highest ratings, followed by small cities, while large cities were rated significantly lower. A similar pattern is evident in the assessment of quality of life and opportunities for collaboration, as medium-sized and small cities fare better in these

areas. The results indicate the existence of two distinct models of the entrepreneurial environment. Large cities are characterized by stronger industry specialization and a greater number of visible success stories, while medium-sized and small cities offer more favorable cost conditions, a higher quality of life, and better relational conditions. City size is a factor that differentiates the structure of advantages, though it does not unequivocally determine the overall level of favorable conditions for startup development.

The third and final stage of the study involved respondents identifying the most important factor favoring startup development and justifying their choice. The inclusion of a question asking respondents to select a single most important factor was intended to reduce the central tendency effect characteristic of Likert scales and to identify the factor with the highest decision-making significance. Table 5 highlights the most frequently selected responses in each city type using bold text.

Table 5.
The most important factor for startup development by city size

The most important factor	Large cities (N = 16)	Medium-sized cities (N = 8)	Small cities (N = 8)
Opportunity to establish a collaboration or partnership with local businesses	4 (25%)	4 (50%)	4 (50%)
A business-friendly environment	3 (19%)	2 (25%)	3 (38%)
Low cost of living and doing business in a given city	2 (13%)	2 (25%)	1 (12%)
The presence of an industry or niche specialization in a given city that supports the growth of a startup	4 (25%)	0	0
Local examples of thriving companies that serve as role models	3 (19%)	0	0

Source: authors' elaboration.

In large cities, respondents were relatively more likely to cite structural factors, such as the presence of an industry or niche specialization that supports startup growth, as well as local examples of thriving companies that serve as role models. This suggests the importance of sectoral concentration and visible business successes in large urban centers. In medium-sized cities, the most frequently cited factors were the opportunity to collaborate with local entrepreneurs and the low cost of living and doing business, which underscores the role of relational and economic factors in this category of cities. In small towns, the majority of respondents chose the opportunity for collaboration and a climate conducive to starting businesses, pointing to the importance of social capital and the overall institutional environment. Regardless of city size, the opportunity to collaborate with local entrepreneurs remained one of the most frequently cited factors. In contrast, industry specialization and success stories were clearly concentrated in large cities. These results indicate that city size shapes a distinct profile of perceived developmental advantages for startups and reflects diverse models of local entrepreneurial ecosystems. Table 6 presents sample responses from respondents that justify the selected factors for startup development in specific types of cities.

Table 6.
Justification for selecting the most important factor for startup development by city size

The size of the city	The most important factor	Sample response from a respondent
Big city	The presence of an industry or niche specialization in a given city that supports the growth of a startup	"There are a lot of companies in our niche industry here, so it's easier to find people and partners who understand what this business is all about. Unfortunately, a big city also means higher costs" (Respondent 4)
Big city	Local examples of thriving companies that serve as role models	"When you see that others have built a successful business here, you know this place offers real opportunities" (Respondent 9)
Medium-sized city	Low cost of living and doing business in a given city	"The costs are reasonable enough that you can grow your business without constant financial pressure. There's less pressure on wages" (Respondent 15)
Medium-sized city	Opportunity to establish a partnership with local businesses	"It's easy to get along with other business owners here, and the market isn't oversaturated with competition. We feel closer to the authorities here" (Respondent 17)
Small town	A business-friendly environment	"People are more open and supportive, and it's easier to start something from scratch, but it depends on the industry" (Respondent 21)
Small town	Opportunity to establish a partnership with local businesses	"In a smaller town, you can reach the right people more quickly, and relationships are more direct. I often work with my classmates" (Respondent 18)

Source: Authors' elaboration.

The respondents' comments shed further light on the previously identified differences between types of cities regarding the perceived factors influencing startup development. In large cities, structural factors are emphasized above all, such as the presence of a specific industry or niche specialization, as well as visible examples of other companies' success. Respondents highlight access to specialized partners and expertise, while also noting the higher operating costs in large urban centers. In medium-sized cities, arguments related to reasonable cost levels and the relatively easier establishment of business relationships dominate. Comments point to lower wage pressure, less competition, and more direct contact with the local institutional and business environment. In small cities, on the other hand, respondents emphasize above all a climate conducive to entrepreneurship and the directness of social relationships. They highlight the openness of the community, easier access to key individuals, and stronger personal ties, which can support business development.

5. Conclusions

The study allowed for the development of answers to the research questions. The results show that approximately 75% of respondents from small towns report a climate conducive to starting a business. At the same time, the quality of life and opportunities for collaboration with local entrepreneurs were rated relatively high, indicating that small towns are perceived as entrepreneurship-friendly environments, particularly in relational and social dimensions.

Respondents' responses indicate that the following factors are particularly important in small towns: the ability to establish cooperation through local relationships (50% of affirmative responses), a business-friendly climate (75%), and relatively favorable living and operating costs (62.5%). This means that the entrepreneurial climate in small towns is primarily based on social capital, relationships, and cost factors rather than industry specialization.

The results of the study suggest that a predominance of relational factors and a focus on quality of life characterize small towns. At the same time, large cities are dominated by factors such as industry specialization and visible examples of success. This indicates that the entrepreneurial climate in small towns is more social and environmental, while in large cities it is based on sectoral concentration and economies of scale.

The findings are consistent with previous studies emphasizing the importance of social capital and local cooperation networks in smaller territorial units. Similar conclusions were presented by Huggins and Thompson (2015), who argued that trust-based local relationships significantly support entrepreneurial activity and knowledge exchange. The present study confirms that, in small towns, the opportunity to establish cooperation through local relationships is perceived as one of the most important factors supporting startup development.

The results also support the conclusions of Roundy (2017), who suggested that entrepreneurial ecosystems in small towns function differently from those in large metropolitan areas and rely more heavily on informal interactions and community embeddedness. Respondents from small towns emphasized relational proximity, direct access to local actors, and a supportive entrepreneurial climate rather than sectoral specialization or access to advanced institutions.

At the same time, the findings correspond with the literature indicating that lower operating costs and quality of life may compensate for the structural disadvantages of smaller cities (Stam, 2015; Scott, 2012). In the present study, entrepreneurs from small and medium-sized cities evaluated living and business costs significantly more positively than respondents from large cities, suggesting that cost advantages remain an important component of local entrepreneurial ecosystems outside metropolitan areas.

However, the study also reveals several findings that extend previous research. While earlier studies often emphasized the limited innovative potential of small towns due to weaker specialization and lower access to capital or talent (Lee, Xu, 2020), the obtained results suggest that startups may perceive relational and social factors as equally or even more important than traditional agglomeration advantages. This indicates that entrepreneurial ecosystems in small towns may follow a different developmental logic than ecosystems in large cities.

The study therefore contributes to the literature by proposing that small-town entrepreneurial ecosystems should not be evaluated solely through the lens of metropolitan growth models. Instead, their competitiveness may derive from social embeddedness, lower operational pressure, and stronger relational proximity. This perspective complements Spigel’s

(2017) ecosystem framework by demonstrating that some ecosystem attributes operate differently in small territorial units and require contextual reinterpretation.

The findings suggest that not all relational mechanisms in small towns should be interpreted as social capital in the strict sense, as some advantages result primarily from relational proximity and easier interpersonal access rather than from deeply institutionalized trust networks.

Based on the study results, practical implications were formulated for three main stakeholder groups: entrepreneurs (start-ups), local authorities, and entities responsible for city territorial marketing. For entrepreneurs operating in small towns, leveraging social capital and local relationships is emphasized as a significant source of customers, business partners, and support in the enterprise development process. The specific nature of small towns, based on relational proximity, can be a significant factor in fostering business development.

Local authorities are recommended to pursue policies aimed at strengthening cooperation networks among entrepreneurs, including organizing industry meetings, networking initiatives, mentoring programs, and local business partnerships. Small towns may also support entrepreneurial ecosystems through the creation of local startup incubators, coworking spaces, and advisory centers tailored to early-stage firms. An important instrument may involve developing local financing mechanisms, such as microgrant programs, seed funding schemes, or preferential rental conditions for young enterprises operating in municipal properties. Investments in digital infrastructure, including high-speed internet access and smart-city solutions, may additionally increase the attractiveness of small towns for innovative and remote-based businesses. Local governments should also implement policies aimed at retaining young entrepreneurs and skilled workers, for example through housing support programs, cooperation with local universities and schools, internship initiatives, and measures improving the quality of life and cultural offer. Such instruments may help reduce the outflow of young talent to metropolitan areas and strengthen the long-term sustainability of local entrepreneurial ecosystems.

In turn, in the area of territorial marketing, it is indicated that small towns can enhance their attractiveness by communicating favorable business conditions, emphasizing the closeness of social relationships, and positioning themselves as a less expensive yet more entrepreneur-friendly alternative to large urban centers. The specific characteristics of small towns highlighted in the study can be a motivating factor for entrepreneurship, especially for start-ups, which, in the long run, can contribute to the development of the local economy and the expansion of urban offerings.

The study is subject to several limitations. First, the research was based on a relatively small sample of respondents (N = 32), which is characteristic of qualitative exploratory studies and limits the possibility of generalizing the findings to the broader population of startups in Poland. Second, the study relied on subjective assessments and self-reported perceptions of entrepreneurs, which may be influenced by individual experiences and local contextual

conditions. Third, the unequal distribution of respondents between large, medium-sized, and small cities may have affected the comparability of results between categories. Finally, the research focused exclusively on Polish cities, which limits the possibility of transferring the conclusions to other national and institutional contexts.

Regarding future research directions, given the qualitative approach, it seems justified to expand the scale of analyses and supplement them with quantitative research. This approach will enable more reliable results and provide a basis for generalizing them to a broader population. Furthermore, it is recommended to deepen the understanding of social capital in the context of start-up development. The results indicate that local relationships and a business-friendly climate are particularly important in small towns. Therefore, future research could focus on analyzing the importance of informal networks in the process of start-up creation, as well as their impact on the sustainability and dynamic development of young enterprises. This line of research would also allow for verification of whether and how social capital constitutes a real competitive advantage for small towns.

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