"The Dual Nature of FDI: Boosting Local Startups and SMEs While Posing Challenges"

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ABSTRACT

This systematic review delves into the multifaceted relationship between Foreign Direct Investment (FDI) and entrepreneurial ecosystems, with a particular focus on the impact of FDI on local startups and Small and Medium-sized Enterprises (SMEs). The study investigates both the positive and negative effects of FDI, shedding light on its role as a double-edged sword in shaping local entrepreneurial landscapes. The positive effects encompass access to vital funding, enhanced resources, market expansion opportunities, the magnetism of skilled talent, and a culture of knowledge sharing. FDI serves as a lifeline, bridging the funding gap that often hampers local startups, and infusing them with the capital essential for growth, innovation, and global market access. Additionally, foreign investors bring valuable resources, advanced technologies, and managerial expertise, augmenting the capabilities of local entrepreneurs. The presence of foreign corporations also facilitates market expansion, enabling local startups to access international markets and leverage established investor networks. Furthermore, FDI acts as a talent magnet, attracting skilled professionals to the region, thereby enriching the local labour pool. Moreover, interaction with foreign investors fosters a culture of knowledge sharing, exposing local entrepreneurs to global best practices and diverse perspectives. However, alongside these positive effects, negative consequences emerge. Increased competition from foreign firms can stifle the growth prospects of local startups. An overreliance on foreign investors for funding and resources can make local startups vulnerable to shifts in investor sentiment. Unequal power dynamics may lead to unequal partnerships, where local startups have limited negotiating leverage. Moreover, the transfer of technology and knowledge raises concerns about the outflow of critical intellectual property. This systematic review critically examines these dynamics, offering valuable insights into the intricacies of FDI's impact on entrepreneurial ecosystems. The findings inform policymakers, entrepreneurs, and investors alike, guiding them in optimizing the benefits of FDI while mitigating its potential pitfalls. By understanding the complex interplay between FDI and local startups, stakeholders can foster a more vibrant and resilient entrepreneurial ecosystem, conducive to innovation, growth, and sustainability.

KEYWORDS: Foreign Direct Investment (FDI), entrepreneurial ecosystems, startups, Small and Medium-sized Enterprises (SMEs), funding, resources, market expansion, talent attraction, knowledge sharing.

JEL CODES: F21, F23, L26, O16, O33, O38, M13.

INTRODUCTION

In the contemporary global economic landscape, the relationship between Foreign Direct Investment (FDI) and entrepreneurial ecosystems has assumed paramount importance (UNCTAD, 2020). FDI, characterized by investments made by foreign entities into the businesses or assets of a host country, has emerged as a pivotal driver of economic development and innovation (Dunning, 1998). Concurrently, startups and Small and Medium-sized Enterprises (SMEs) constitute the lifeblood of entrepreneurial ecosystems, catalysing innovation, job creation, and economic growth (Audretsch & Belitski, 2017).

This systematic review endeavours to probe the intricate interplay between FDI and entrepreneurial ecosystems, with a specific focus on their repercussions on local startups and SMEs (Cantwell & Janne, 1999). In an era of ever-shrinking global boundaries, this relationship has evolved into a fundamental component of regional and national economic strategies (Mudambi & Santangelo, 2016). Grasping the dynamics, both positive and negative, that transpire when foreign investors engage with local startups becomes crucial for policymakers, entrepreneurs, and investors who aim to harness the potential advantages of FDI while mitigating its inherent risks (Cuervo-Cazurra, 2012).

The affirmative aspects of FDI for startups are manifest. It provides a gateway to much-needed funding, often bridging the financial chasm that hinders the growth of local startups (Buckley et al., 2007). Furthermore, foreign investors bring invaluable resources, technologies, and managerial expertise to the table, reinforcing the capabilities of local entrepreneurs (Birkinshaw et al., 2000). FDI facilitates market expansion by tapping into established networks, and it acts as a magnet for skilled talent, enriching the local labour pool (Alfaro et al., 2009). Moreover, interaction with foreign investors fosters a culture of knowledge sharing, exposing local entrepreneurs to global best practices and diverse perspectives (Alcácer & Oxley, 2014).

Nevertheless, alongside these merits, FDI also poses challenges for local startups. Heightened competition from foreign firms can curtail the growth prospects of indigenous startups (Blomström & Kokko, 2003). An overreliance on foreign investors for funding and resources can render local startups susceptible to shifts in investor sentiment (Blalock & Gertler, 2008). Asymmetrical power dynamics may culminate in unequal partnerships, wherein local startups find themselves with limited negotiating leverage (Teece, 1986). Furthermore, concerns about the outflow of critical intellectual property emerge as technology and knowledge transfer become more prevalent (Maskus & Penubarti, 1995).

As the global economy continues its evolution, comprehending the nuanced dynamics of FDI within entrepreneurial ecosystems becomes indispensable. This systematic review aspires to offer a comprehensive understanding of the impact of FDI on local startups and SMEs, shedding light on its dual role as a growth catalyst and a potential source of challenges. The findings of this review are intended to serve as a compass for policymakers and stakeholders, aiding them in optimizing the benefits of FDI while proactively addressing its inherent risks. Ultimately, the goal is to foster robust and resilient entrepreneurial ecosystems that not only drive innovation but also lead to job creation and economic prosperity.

In today's dynamic global economic landscape, the intertwining relationship between Foreign Direct Investment (FDI) and entrepreneurial ecosystems has emerged as a topic of substantial significance (Stam & SpigelCantner et al., 2021; Cho et al., 2021). As FDI increasingly shapes the landscape of international business and local entrepreneurship, understanding the multifaceted impacts it has on local startups and Small and Medium-sized Enterprises (SMEs) is pivotal for informed policymaking, strategic decision-making, and fostering resilient entrepreneurial ecosystems (Cusmano et al., 2010; Buciuni & Finotto, 2016; Alfaro-Ureña et al., 2019).

While there is a growing body of literature exploring the effects of FDI on various aspects of the economy, the specific consequences of FDI on local startups and SMEs within entrepreneurial ecosystems

remain a topic with substantial gaps and uncertainties. This gap in our understanding poses a series of critical questions.

The Gaps identified in the literature are as follows: Sector-Specific Analysis: Existing literature tends to provide generalized insights into the impact of FDI on startups and SMEs within entrepreneurial ecosystems. There is a gap in sector-specific analyses that explore how FDI affects businesses in diverse industries, considering that different sectors may experience unique challenges and opportunities (Chaudhury et al., 2020; Arif et al., 2022; Huang et el., 2022).

Regional Variations: The literature often lacks in-depth examinations of how regional economic conditions and local regulatory environments influence the relationship between FDI and startups. Research should address the variations that occur based on geographic location and the specific conditions of host countries or regions (OECD, 2021; Tigau, 2019 Spithoven & Merlevede, 2022).

Long-Term Effects: Many studies focus on short-term effects, but there is a gap in understanding the long-term consequences of FDI on local startups and SMEs. Investigating how these effects evolve over time is essential for developing sustainable growth strategies (Kim et al., 2020; Saurav et al., 2020; OECD, 2021).

Cultural and Institutional Factors: Research often underemphasizes the role of cultural and institutional factors in mediating the impact of FDI on local entrepreneurship. Further exploration is needed to understand how cultural norms, values, and institutional frameworks shape the outcomes of FDI engagements (Meyer et al., 2009; Khanna & Palepu, 2010; Li et al., 2012).

Micro-Level Dynamics: While macro-level analyses provide valuable insights, there is a gap in micro-level examinations of how individual startups and SMEs experience and respond to FDI. Understanding the specific challenges and opportunities at the firm level is crucial (Cusmano et al., 2010; Li et al., 2012; Buciuni & Finotto, 2016).

Comparative Studies: Comparative studies that evaluate the effectiveness of different FDI strategies (e.g., joint ventures, acquisitions, technology licensing) in supporting local startups are limited. Such comparisons can offer practical guidance to policymakers and investors (Hennart & Park, 1993; Buckley et al., 2007; Meyer & Sinani, 2009).

Impact of FDI on Sustainable Practices: As sustainability becomes increasingly important, there is a gap in research examining how FDI influences the adoption of sustainable practices among startups and SMEs. Investigating whether FDI promotes or hinders sustainability efforts is a pertinent area of study (Kolk & Lenfant, 2010; Li et al., 2013; Duanmu & Guney, 2019).

Qualitative Insights: While quantitative analyses dominate the literature, qualitative insights into the experiences, challenges, and success stories of startups engaging with FDI are scarce. Qualitative research can provide a richer understanding of the intricacies involved (Cusmano et al., 2010; Li et al., 2013; Buciuni & Finotto, 2016).

Addressing these literature gaps will contribute to a more comprehensive and nuanced understanding of the complex relationship between FDI and local startups and SMEs in entrepreneurial ecosystems.

The objective of this systematic review is to comprehensively examine and analyse the multifaceted impact of Foreign Direct Investment (FDI) on local startups and Small and Medium-sized Enterprises (SMEs) operating within entrepreneurial ecosystems.

The research question is as follows: "How does Foreign Direct Investment (FDI) impact local startups and Small and Medium-sized Enterprises (SMEs) within entrepreneurial ecosystems, encompassing both positive and negative effects, across different sectors, regions, and stages of economic development, and what are the optimal policy approaches for leveraging FDI's benefits while mitigating associated risks?"

This systematic review assumes that the selected studies are methodologically sound and based on credible data sources, that contextual factors introduce heterogeneity in findings, that stakeholders will benefit from evidence-based recommendations, and that understanding FDI's effects on local startups and SMEs is crucial for informed decision-making and policy formulation.

The limitations of this systematic review include the potential for publication bias, as well as variations in the quality and scope of the selected studies that may affect the generalizability of the findings.

This systematic review focuses on the impact of FDI on entrepreneurial ecosystems, with a particular emphasis on its effects on local startups and SMEs. It encompasses studies published in peer-reviewed journals, reports, and scholarly publications, primarily from the last decade, and includes research from various geographical regions and economic contexts.

METHODOLOGY

Search Strategy: A comprehensive search of academic databases such as PubMed, Google Scholar, Scopus, and Web of Science will be conducted. The search terms will include combinations of keywords such as "Foreign Direct Investment," "FDI," "Entrepreneurial Ecosystems," "Startups," "Small and Medium-sized Enterprises," "Impact," and related terms. Boolean operators will be used to refine the search results.

Inclusion and Exclusion Criteria: Studies were included if they meet the following criteria:
Published in peer-reviewed journals or reputable sources.

Written in English.

Focus on the impact of FDI on entrepreneurial ecosystems, with a specific emphasis on startups and SMEs.

Provide empirical evidence or in-depth analysis.

Studies were excluded if they are duplicates, conference abstracts, or do not meet the inclusion criteria.

Data Extraction: Relevant data from selected studies were extracted, including publication details, research objectives, methodology, key findings, and limitations.

Quality Assessment: The quality of selected studies was assessed using appropriate tools, considering factors such as research design, data collection methods, and sample size.

Data Synthesis: The findings from selected studies were synthesized and analysed to identify common themes, trends, and patterns regarding the impact of FDI on local startups and SMEs within entrepreneurial ecosystems.

Results Presentation: The results was presented using descriptive and analytical methods, including tables and thematic summaries.

Discussion: The synthesized findings were discussed in the context of the research questions, and implications for policymakers, entrepreneurs, and investors will be explored.

Conclusion: A comprehensive conclusion was drawn based on the synthesized evidence, highlighting the key takeaways from the systematic review.

This systematic review follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to ensure rigor and transparency in the review process (Moher et al., 2009; Tricco et al., 2018; Page et al., 2021).

POSITIVE AND NEGATIVE EFFECTS OF FDI ON LOCAL STARTUPS AND SMES

Positive Effects

Access to Funding: FDI can alleviate the funding gap that many local startups face, providing them with the capital needed for growth, R&D, and market expansion. This means that FDI can help startups overcome the financial barriers that limit their potential, such as lack of access to credit, high interest rates, or insufficient savings. By receiving foreign investment, startups can increase their spending on innovation, product development, and customer acquisition, which can improve their competitiveness and profitability. Moreover, FDI can also enable startups to enter new markets, either by partnering with foreign investors or by leveraging their networks and resources. This can increase their customer base, revenue streams, and brand recognition (Gebreeyesus & Iizuka, 2021; Ha et al., 2021; Dağlıoğlu, 2022; Whiteaker, 2022).

Enhanced Resources: Foreign investors often bring valuable resources, technologies, and managerial expertise, augmenting the capabilities of local startups. Enhanced Resources: This means that FDI can help startups access advanced equipment, software, processes, and know-how that can improve their productivity, quality, and innovation. For example, foreign investors may provide training, mentoring, or technical assistance to local entrepreneurs and employees, enhancing their skills and knowledge. Foreign investors may also share their networks, contacts, and reputation with local startups, facilitating their access to markets, customers, suppliers, and partners. Furthermore, FDI can stimulate spillovers of knowledge and technology to other domestic firms in the same or related sectors, creating positive externalities for the local economy (Borensztein et al., 1998; Alcácer & Oxley, 2014; Liu et al., 2009; Meyer & Sinani, 2009).

Market Expansion: FDI can facilitate access to international markets through established investor networks, helping startups reach a broader customer base. This means that FDI can help startups overcome the challenges of entering new markets, such as lack of local knowledge, cultural differences, regulatory barriers, or distribution channels. By partnering with foreign investors, startups can leverage their connections, reputation, and experience in the global market, gaining access to potential customers, partners, and suppliers. For example, foreign investors may provide market intelligence, marketing support, or referrals to local startups, helping them increase their sales and revenue. FDI can also enable startups to scale up their operations and expand their product offerings, catering to the diverse needs and preferences of international consumers (Buckley et al., 2007; Luo & Tung, 2007; Chen et al., 2012; Gaur et al., 2014).

Talent Magnet: The presence of foreign corporations can attract skilled talent to the region, strengthening the local labour pool available to startups. This means that FDI can help startups find and hire qualified workers who have the knowledge, skills, and experience needed for their business. For example, foreign corporations may offer training, education, or career opportunities to local workers, enhancing their human capital and employability. Foreign corporations may also create a demand for specialized or high-tech workers, increasing the incentives for local workers to acquire such skills. Moreover, FDI can foster the mobility and diversity of talent, as foreign corporations may bring in expatriates or attract migrants from other regions or countries, enriching the local talent pool with different perspectives and backgrounds (Blomström & Kokko, 2003; Driffield & Love, 2007; Wang & Wong, 2009; Javorcik et al., 2011).

Knowledge Sharing: Interaction with foreign investors fosters a knowledge-sharing culture, exposing local entrepreneurs to global best practices and diverse perspectives. This means that FDI can help startups learn from the experience and expertise of foreign investors, who may have access to cutting-edge technologies, methods, and standards in their fields. For example, foreign investors may provide feedback, advice, or guidance to local entrepreneurs, helping them improve their business models, strategies, or processes. Foreign investors may also introduce local entrepreneurs to new ideas, concepts, or trends that can inspire them to innovate or diversify their products or services. Furthermore, FDI can encourage the exchange of knowledge and information among different actors in the local ecosystem, such as other startups, universities, research institutes, or government agencies, creating a collaborative and dynamic environment

for entrepreneurship (Blomström & Sjöholm, 1999; Görg & Greenaway, 2004; Javorcik, 2004; Narula & Marin, 2005).

Negative Effects

Increased Competition: Local startups may face intensified competition from foreign firms, potentially stifling their growth prospects. This means that FDI can create challenges for startups that operate in the same or related sectors as foreign firms, as they may have to compete with them for market share, customers, resources, or talent. For example, foreign firms may have advantages over local startups in terms of scale, technology, quality, or reputation, making it difficult for local startups to match their prices, products, or services. Foreign firms may also crowd out local startups from accessing finance, suppliers, distributors, or partners, reducing their opportunities and bargaining power. Moreover, FDI can increase the risk of imitation or appropriation of local startups' innovations or intellectual property by foreign firms, undermining their competitive edge and profitability (Wang, J., & Blomström, 1992; Aitken & Harrison, 1999; Branstetter & Chen, 2006; Blalock & Gertler, 2008).

*Dependency Risks***:** An overreliance on foreign investors for funding and resources can make local startups vulnerable to shifts in investor sentiment. This means that FDI can create uncertainties and risks for startups that depend heavily on foreign capital and inputs, as they may face fluctuations in the availability and cost of these resources. For example, foreign investors may withdraw, reduce, or delay their investments due to changes in their expectations, preferences, or strategies, or due to external shocks such as political instability, economic crisis, or natural disasters. Foreign investors may also impose conditions or restrictions on their investments, such as requiring equity stakes, controlling decision-making, or influencing pricing policies. Moreover, FDI can expose local startups to exchange rate risks, as they may have to repay their foreign debts or purchase their foreign inputs in foreign currencies, which can appreciate or depreciate unpredictably (Harrison et al., 2004; Caves, 2007; Alfaro & Chen, 2012; Blonigen & Piger, 2014).

*Unequal Partnerships***:** Asymmetrical power dynamics could lead to unequal partnerships where local startups have limited negotiating leverage. This means that FDI can create disadvantages for startups that enter into agreements or collaborations with foreign investors, as they may have to accept unfavourable terms or conditions. For example, foreign investors may demand high returns, low prices, or exclusive rights from local startups, reducing their profits or autonomy. Foreign investors may also exploit local startups' resources, technologies, or innovations, without providing adequate compensation or recognition. Furthermore, FDI can create dependencies or lock-ins for local startups, as they may become reliant on foreign investors for funding, inputs, or markets, and lose their flexibility or adaptability (Lall, 1983; Teece, 1986; Dunning, 1993; Aghion & Tirole, 1994).

Loss of Intellectual Property: The transfer of technology and knowledge could lead to concerns about the outflow of critical intellectual property. This means that FDI can create risks for startups that share their proprietary information, inventions, or innovations with foreign investors, as they may lose their competitive advantage or ownership rights. For example, foreign investors may copy, leak, or sell local startups' technology or knowledge to other parties, without their consent or compensation. Foreign investors may also claim patents or trademarks on local startups' technology or knowledge, preventing them from using or benefiting from their own creations. Moreover, FDI can create legal or regulatory challenges for local startups, as they may have to comply with different intellectual property laws or standards in different countries, which can be costly, complex, or inconsistent (Maskus & Penubarti, 1995; Glass & Saggi, 2002; Branstetter et al. 2006; Park & Lippoldt, 2008).

CONCLUSION

This systematic review has explored the intricate relationship between Foreign Direct Investment (FDI) and entrepreneurial ecosystems, with a specific focus on their impact on local startups and Small and Medium-sized Enterprises (SMEs). The review synthesized a wealth of empirical evidence from peer-reviewed studies to shed light on both the positive and negative effects of FDI on these vital components of entrepreneurial ecosystems.

The positive aspects of FDI for startups and SMEs are evident. Foreign investment serves as a lifeline for many local startups, providing them with the much-needed capital required for growth, research and development, and market expansion. Additionally, FDI brings in invaluable resources, cutting-edge technologies, and managerial expertise, augmenting the capabilities of local entrepreneurs. It acts as a catalyst for market expansion, leveraging established networks to help startups reach a broader customer base. Furthermore, FDI's presence attracts skilled talent to the region, strengthening the local labour pool and fostering a culture of knowledge sharing, exposing local entrepreneurs to global best practices and diverse perspectives.

However, alongside these advantages, the review has identified several challenges posed by FDI for startups and SMEs. Intensified competition from foreign firms can stifle the growth prospects of local startups, particularly those operating in the same or related sectors. Overreliance on foreign investors for funding and resources can make local startups vulnerable to shifts in investor sentiment, leading to fluctuations in the availability and cost of essential resources. Unequal power dynamics may result in unequal partnerships, where local startups have limited negotiating leverage, potentially leading to unfavourable terms and conditions. Moreover, concerns about the outflow of critical intellectual property emerge as technology and knowledge transfer become prevalent.

In general, this systematic review provides a comprehensive understanding of the multifaceted impact of FDI on local startups and SMEs within entrepreneurial ecosystems. Policymakers, entrepreneurs, and investors can use these insights to harness the potential benefits of FDI while proactively addressing its inherent risks. By fostering robust and resilient entrepreneurial ecosystems that drive innovation, job creation, and economic prosperity, regions and nations can position themselves for sustainable growth in an increasingly globalized world.

The findings of this review underscore the importance of a balanced approach to FDI, where policymakers ensure that the benefits of foreign investment are maximized while implementing safeguards to protect the interests and competitiveness of local startups and SMEs. As the global economy continues to evolve, this systematic review provides a valuable resource for guiding strategic decisions that promote economic development, entrepreneurship, and innovation.

POLICY RECOMMENDATION

Based on the findings of this systematic review, several policy recommendations are suggested to optimize the positive impacts of Foreign Direct Investment (FDI) on local startups and Small and Medium-sized Enterprises (SMEs) within entrepreneurial ecosystems:

Entrepreneurial Support Programs: Governments and relevant authorities should establish and enhance support programs tailored to the needs of local startups and SMEs. These programs should offer financial incentives, mentorship, and resources to foster innovation, enhance competitiveness, and facilitate market entry for domestic enterprises.

Investor Education and Awareness: Policymakers should implement initiatives to educate foreign investors about the unique challenges faced by local startups. This will promote better alignment of expectations, foster collaboration, and reduce the risk of negative outcomes due to unequal power dynamics.

Intellectual Property Protection: Strengthening intellectual property laws and enforcement mechanisms is vital to safeguard the innovative efforts of local startups. Policymakers should establish clear

guidelines and regulations that protect intellectual property rights and prevent the unauthorized use or transfer of proprietary information.

Partnership Facilitation: Governments should actively promote partnerships between foreign investors and local startups that ensure equitable distribution of benefits. Facilitating collaborative efforts that emphasize knowledge transfer, technology sharing, and skill development will lead to mutually beneficial relationships.

Market Access and Connectivity: Policymakers should focus on improving connectivity, trade agreements, and market access for local startups. This will enable them to capitalize on the opportunities presented by FDI while minimizing the risk of unfair competition.

Risk Diversification: Encouraging local startups to diversify their funding sources beyond FDI can mitigate dependency risks. Policymakers should promote alternative funding options such as local venture capital, angel investment networks, and crowd funding platforms.

Capacity Building: Governments should invest in enhancing the skills and capacities of local startups and SMEs. This can be achieved through targeted training programs, workshops, and partnerships with educational institutions to ensure a skilled workforce capable of leveraging FDI effectively.

Transparency and Accountability: Policymakers should promote transparency and accountability in FDI transactions and partnerships. Ensuring clear reporting and monitoring mechanisms can help identify and address any potential negative effects on local startups and SMEs.

Inclusive Regulatory Framework: Crafting a regulatory framework that fosters a level playing field for local startups and SMEs, regardless of their collaboration with foreign investors, is crucial. This approach ensures fair competition, safeguards local innovation, and avoids undue advantages for foreign-owned businesses.

Long-Term Economic Planning: Policymakers should align FDI strategies with broader economic development goals. This includes targeting sectors that complement local startups' strengths, minimizing potential negative effects, and ensuring sustainable growth for the entire entrepreneurial ecosystem.

By implementing these policy recommendations, governments and stakeholders can create an environment where FDI becomes a driving force for positive change, propelling local startups and SMEs toward sustained growth, innovation, and economic prosperity.

DIRECTIONS FOR FUTURE RESEARCH

While this systematic review has shed light on the complex relationship between Foreign Direct Investment (FDI) and entrepreneurial ecosystems, several avenues for future research can further enrich our understanding and guide policy development in this domain:

Longitudinal Studies: Conducting longitudinal studies to track the long-term effects of FDI on local startups and SMEs can provide insights into how these impacts evolve over time, enabling a more comprehensive assessment of FDI's contributions and challenges.

Cross-Country Comparisons: Comparative studies across different countries and regions can offer valuable insights into how cultural, regulatory, and economic variations influence the outcomes of FDI on local entrepreneurial ecosystems.

Qualitative Research: Qualitative research methods, such as in-depth interviews and case studies, can provide nuanced insights into the experiences and perspectives of local startups and SMEs engaged in FDI-related activities, highlighting unique challenges and success stories.

Sectoral Analysis: Exploring how FDI impacts vary across different sectors and industries can yield sector-specific policy recommendations, taking into account the diverse needs and challenges faced by startups in various domains.

Technology Transfer and Intellectual Property: In-depth studies focusing on the mechanisms of technology transfer, intellectual property protection, and knowledge sharing between foreign investors and local startups can provide insights into how to strike a balance between innovation and security.

Social and Environmental Impacts: Investigating the social and environmental implications of FDI on local startups and SMEs can reveal potential benefits or challenges related to job creation, sustainability, and community development.

Network Dynamics: Analysing the network dynamics within entrepreneurial ecosystems, including interactions between startups, foreign investors, universities, and government agencies, can provide a holistic view of the mechanisms that drive or hinder innovation and growth.

Policy Impact Assessment: Conducting evaluations of existing policies aimed at promoting FDI within entrepreneurial ecosystems can help policymakers understand the effectiveness of these measures and make informed adjustments.

Diversification of Funding Sources: Research on strategies for local startups to diversify their funding sources beyond FDI, such as accessing local venture capital or alternative financing models, can enhance resilience and reduce dependency risks.

Micro-level Analysis: Delving into the micro-level effects of FDI on individual startups, including their operational dynamics, innovation processes, and talent acquisition strategies, can provide granular insights into how startups navigate the challenges and benefits of FDI.

Global Value Chains: Exploring startups' integration into global value chains facilitated by FDI can provide insights into the pathways through which startups access international markets and contribute to global innovation networks.

Government-Startup Partnerships: Investigating effective models of collaboration between governments and startups, especially in the context of FDI, can guide the design of policies that align with startups' needs and aspirations.

Future research along these lines will contribute to a more comprehensive understanding of the intricate relationship between FDI and local startups within entrepreneurial ecosystems. By addressing these gaps, researchers and policymakers can further refine strategies to maximize the benefits of FDI while mitigating its potential drawbacks, fostering sustainable growth, innovation, and economic development.

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