

Entrepreneurial territories: measures, determinants, and outcomes

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Abstract

Given the state of our knowledge and the questions that are emerging in scientific and political circles regarding the relationships between entrepreneurship and its local context, it is worthwhile to investigate the geography of entrepreneurship with reference to the comprehensive notion of territory that is proposed in regional science. This Special Issue of *The Annals of Regional Science* seizes this opportunity to extend our knowledge in the field with original contributions addressing the puzzling role of the territory in entrepreneurship.

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JEL Classification: L26, M13, O18, R11.

1. Entrepreneurship and geography, a relationship in the making

Since the early 1990s, a large number of policy initiatives have sought to promote business start-ups to foster both economic and job growth. The underlying idea is that new firms contribute, among other factors, to the dynamism of the economy and that they also promote structural change, innovation, new job creation, and, in addition, more sustainable development. Virtuous relationships and their effects might have sometimes been overestimated. Nevertheless, entrepreneurial policies have multiplied here and there, to the point that it would be easy to assume they are everywhere and that all cities and regions, whether urban, suburban, or rural, benefit from them. This cannot be ruled out. However, one can easily observe that entrepreneurial activity is unevenly distributed in geographical space. Some cities – among others, Berlin, Copenhagen, Dublin, Helsinki, and London – and regions – see the European Entrepreneurial Region project¹ – are famous for their entrepreneurial atmosphere, combined (or not) with an innovative entrepreneurial policy strategy. At the same time, many places, though aiming to develop entrepreneurship, are still far from being qualified as entrepreneurial ones. How to explain these differences? Looking at what we think we already know,

¹ <https://cor.europa.eu/en/engage/Pages/european-entrepreneurial-region.aspx> (October 2022)

we might conclude that entrepreneurship is a function of heterogeneous, more or less localized endowments in knowledge, institutions, resources, and demand. In brief, contexts, whether business, social, spatial, or institutional, matter (Welter, 2011; Baker & Welter, 2020).

With the ever increasing realization that contexts shape entrepreneurship, it appears legitimate to explore the relationships between places and entrepreneurship by studying which types of entrepreneurs and economic activities emerge from various environments, thus how local characteristics may influence entrepreneurial dynamics and paths. To do so, a critical permissive condition is to depart from the broadly accepted, albeit simplistic, idea that the spatial context is just a container for entrepreneurship. In this respect, the entrepreneurial ecosystem approach is interesting.

An entrepreneurial ecosystem being defined as a “set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” (Stam & Spigel, 2018: 407), the entrepreneurial ecosystem approach appears attractive for many reasons but two are probably central. First, focus is placed on productive entrepreneurship. It is not only a question of creating your own job but also of creating value beyond the average, i.e. the outcome of a successful and ambitious entrepreneurship (Stam *et al.*, 2012; Hermans *et al.*, 2015; Stam & Spigel, 2018). Second, the approach explicitly recognizes that many elements entering a systemic relationship contribute to producing successful entrepreneurship. Thus, it can be argued that the underlying model is not additive but rather multiplicative. At the extreme, in an additive model, if a contributing element is missing, an outcome is nevertheless possible, but not in a multiplicative model.

The entrepreneurial ecosystem approach is emblematic of research about the geography of economic activities. Indeed, as already posed by Stam (2007), entrepreneurship, i.e. new firm formation, is a fundamental process of economic geography. We may also notice that the extension of entrepreneurial research from entrepreneurs being embedded in a given environment to the existence of entrepreneurial ecosystems occurred at the beginning of the 2000s. The shift is precisely depicted by the bibliometric analysis conducted by Malecki (2018), who observes that it happened even though the notion did not have yet a precise and shared definition. Although fuzzy, lacking analytical foundations and serving a rather static approach where we would expect a more dynamic one (Audretsch *et al.*, 2021), the notion of the entrepreneurial ecosystem is remarkably popular among scholars. Collected evidence, obtained by qualitative and quantitative empirical studies, tend to be summed up as a set of unique experiences. This poses significant challenges to policy makers and their advisers who are in search of remarkable regularities that are transferable from one place to another.

The success encountered by the entrepreneurial ecosystem approach in geographical economic studies helps to install the idea that the entrepreneurial ecosystem is fundamentally spatial. It is also centered on interactions among agents. Indeed, according to this literature,² the relationships between the socio-economic agents located in the same place determine – at least as much as the individual characteristics, sectoral composition of the local economic activities, and agglomeration economies – not only firms’ entry and exit, but also local performances – whether in terms of

² See Malecki (2018), Cao & Shi (2021), Fernandes & Ferreira (2022), for surveys.

innovation, exportations, or job creation. Such arguments come close to the so-called interlinked business models that were initially proposed to develop a renewed vision of innovation systems by borrowing ecological concepts. Those models rest upon a nexus of collaborative arrangements between various actors located close to each other; as in the triple-helix innovation model (Leydesdorff & Etzkowitz, 1998), according to which firms, governments, and universities or research institutes interact. However, that is not all, with institutions, technology transfer agencies, financing institutions, agents, competitors, and networks of entrepreneurs themselves (Clarysse et al., 2014; Stam & van de Ven, 2021; Tsouri & Pegoretti, 2021; Walsh, 2019) composing a nexus of formal and informal links that shape entrepreneurial ecosystems. Putting the interdependence among agents at the front of the analysis transforms the connection between entrepreneurs and places. Instead of being the result of isolated individuals more or less influenced by the local context in which they are embedded, the entrepreneurial decision becomes the result of a system (Stam & van de Ven, 2021).

Qualifying context is necessary to understand either how different entrepreneurs emerge from various places or why some places are entrepreneurial and others are not. Rural areas are long taken as examples of typical places to be analyzed in order to illustrate the diversity of entrepreneurship. The typological conception of rural entrepreneurship is thoroughly explored by Korsgaard et al. (2015), who distinguish two ideal types of entrepreneurship: entrepreneurship in the rural and rural entrepreneurship. They conclude that "rural" is more than just a descriptive term. This classification based on location implies, and maybe even asserts, that various contexts correspond to various forms of entrepreneurship. Further compelling contributions examining the entrepreneurial involvement within geography are McKeever et al. (2015) and Gaddefors & Anderson (2017). The originality of these pieces of work comes from the fact that context serves as a mechanism for entrepreneurship rather than being just a circumstance that businesspeople use or adapt to.

Since the 1984 seminal special issue of *Regional Studies* (Storey, 1984), a large number of papers, books and reports have theorized and brought empirical evidence on why and how potential entrepreneurs decide to create a new business in a given place and why some places stand out more than others from this perspective. A remarkable antecedent in this journal is the special issue addressing firm demography and spatial dynamics (van Wissen & van Dijck, 2004). Places or regions vary in a wide range of ways. Natural resources endowments and human or economic demography are often emphasized as crucial sources of differences. Fiscal, innovative, entrepreneurial policies, to name a few, and the measures taken to face major challenges such as globalization, digitalization, and ecological transition may also influence entrepreneurial spirits. Other critical aspects are emphasized. These include: unemployment (Santarelli et al., 2009; Audretsch et al., 2011), financial context (Bonnet et al., 2005; Arcuri & Levratto, 2018), and culture (Fritsch & Wyrwich, 2019).

Behind the fragmented conceptualizations, approaches, and focuses, one can detect a common assumption: the local entry rate is the result of an intricacy of implicit or explicit, structural or temporary factors. In the wake of this widely shared general idea, there is a deep need for additional theoretically sound and empirically established papers embodying systemic and/or analytical rigor with practical relevance regarding the local determinants of entrepreneurship. In other words, it is time to expand on the geography of entrepreneurship considering the comprehensive conception of territory, like the ones proposed by Camagni & Capello (2013) or Perucca (2014). Indeed, much remains to be done to understand the multifaceted role of the local and regional in connection with entrepreneurship and entrepreneurship policy (Ortega-Argilés, 2022).

2. An overview of the contributions of the special issue

The papers published in this special issue build on the stock of knowledge derived from regional science applied to entrepreneurship, making further progress down the path opened up by several antecedents. They contribute to bring a better understanding of the relationships between places and entrepreneurship by employing innovative empirical techniques, new datasets, and renewed spatial units. Their use of a variety of methods, data sources, and theoretical approaches reflects the diversity of topics dealing with entrepreneurship and territories, as previously noted and, in this respect, continue to feed an extremely rich literature on the topic.

In their article “The width and depth of local exports: spatial and cross-sectoral effects on firm entry, survival and growth,” **Nebojša Stojčić** and **Perica Vojinić** re-examine the idea that entrepreneurship is a localized process. While the local context matters, international economic connections can also play a role. Thus, they explore the effects of export diversification and specialization of the local economic structure on the entrepreneurial decision of entry and its outcomes. They also consider possible spillover effects from one sector to the others. Their analyses, exploiting spatial econometrics, focus on the entrepreneurial dynamics of Croatian cities and towns over the 2007-2017 period. Their results suggest that entrepreneurial dynamics are affected by export diversification. Through this channel, it is possible to attract new firms in the manufacturing sector, while also contributing to the survival and growth of existing ones.

Entrepreneurship remains a concept with variable geometry. This observation is linked to the fact that very different definitions of entrepreneurship coexist. Some consider its functional value or emphasize on the activity as emerging, others on its innovative content or on its independent character. Depending on the definition adopted, self-employment and craftsmanship are more or less regarded as fully falling within the scope of this special issue. With their “Poor soil as a fertile breeding ground: the role of historical agricultural specialization for the persistence of regional differences in crafts,” **Petrik Runst** and **Michael Wyrwich** contribute to the literature exploring the long-run persistence of regional economic activities. Using instrumental variable regression and spatial econometric techniques, they examine the persistence of crafts densities in German regions over a period of more than 100 years. Their results show that there is a statistically significant and positive relationship between past and present crafts densities, with the density at the origin being driven by the quality of the soil, supporting the argument that low productivity prompts farmers to adopt additional means, such as crafts, to generate additional income. The authors also cautiously link their results to the entrepreneurial ecosystems literature.

Franziska Bay and **Sierdjan Koster** help to lift the veil on self-employment whose multiple heterogeneity cannot be ignored. In their article entitled “Self-employment career patterns in the Netherlands: exploring individual and regional differences,” they study the long-term career trajectories of Dutch self-employed people by exploiting microdata covering the 2003-2018 period and explore how career patterns vary across regions. To some extent they disentangle whether regional career patterns are derived from individuals’ self-selection process and clustering, or from different labor market conditions. They collect substantiated evidence that the three defined archetypes of stable, mixed, and precarious self-employment careers – the precarious one, which alternates unemployment or inactivity with self-employment, being most prevalent among the elderly, women and lower educated people – vary by region. Stable self-employment careers are more

rural whereas mixed and precarious careers are disproportionately represented in urban municipalities. Their findings thus suggest that regional context may play a role in self-employment career development.

With their “Cities and social entrepreneurship”, **Benoît Desmarchelier, Faridah Djellal, and Faïz Gallouj** shed light on social entrepreneurship and its spatial distribution. Thus, they complement studies focusing, from a spatialized view as well, on profit-seeking entrepreneurship and provide a more comprehensive view of the spatial distribution of entrepreneurial activities. Their statistical study is carried out on French data and considers social entrepreneurship, i.e. labelled social ventures, jointly with the city context and the city characteristics. Defining a social entrepreneurial city as a city with at least one such social entrepreneurial firm, their study reveals empirically that the social entrepreneurial city shares many similarities with the entrepreneurial city, as developed in the literature. Like cities promoting for-profit entrepreneurship, social entrepreneurial cities are large with a rather diversified economy. They differ also by not being particularly endowed in the creative arts, suggesting that having an intense creative scene is not a necessary condition for social entrepreneurship to thrive.

Marie-Estelle Binet, Ewen Lebrun, and Matthieu Leprince explore the relationship between firm creation and possible cooperation agreements between local public administrative entities, namely between municipalities. Thus, they help establish links between firm creation and the literature on fiscal federalism that serves as their analytical background. Their contribution, entitled “Does intermunicipal cooperation favor higher firm creation? French evidence from a natural experiment,” reports on the study they conducted covering France in the 2000s, using cross-sectional or panel data according to the level of territorial disaggregation (intermunicipal or NUTS 3 level). Their findings show that the extent of local intermunicipal cooperation can play a positive role in firm creation. A similar conclusion can also be made when intermunicipal governments agree on business tax sharing.

The relationships between entrepreneurship, R&D-related knowledge spillovers, and absorptive capacity posed at the regional level are of great and increasing interest to regional scientists. The article, “The relationship between R&D knowledge spillovers and employment entry,” by **Nicolò Barbieri, Laura Ramaciotti, and Ugo Rizzo**, makes an original contribution to this literature by examining more specifically whether the size at entry of new firms is positively associated with R&D knowledge spillovers and how much an increasing distance from the source of knowledge may affect this association. Individual and geocoded data at the firm level for the Italian region of Emilia-Romagna allow the authors to study very finely the relationships, in particular with respect to geographical distance. According to their findings, private R&D spillovers and the size at entry of innovative firms are indeed positively related but this relationship dissipates very quickly, i.e. within a few kilometers.

The last article in this special issue is by **Dorine Cornet, Jean Bonnet, and Sébastien Bourdin**. In “Digital Entrepreneurship Indicator (DEI): An analysis of the case of the Greater Paris Metropolitan Area,” the authors propose a new source of synthetic information inspired by other indices like the European Index of Digital Entrepreneurship Systems, the Regional Entrepreneurship and Development Index, and the Global Entrepreneurship Index. Variables entering the proposed DEI and its sub-components are selected to measure contextual and individual elements promoting digital entrepreneurship, taking into account statistical availability and the application to the metropolitan context authors are looking for. Using Geographically Weighted Regression, they are able to unveil a relatively high

heterogeneity regarding considered attributes and their relationships with the location of small Information and Communication Technology firms across suburban areas.

3. Concluding remarks

Long considered as two independent notions, entrepreneurship and local systems have become closer to each other as a result of a considerable amount of research conducted to understand why some regions performs better than others.

Creating growing interest for the geography of entrepreneurship, which spread among regional scientists through the notion of productive and, later, entrepreneurial ecosystems, scientific findings have inspired many local development policies around the world. And even as policy makers have easily adopted the concept – making it a frequently shared reference to elaborate public policies – scholars are still discussing its robustness and validity in certain aspects.

Ultimately, the contributions collected in this special issue are exemplary of the relevance of the notion of entrepreneurial territory, to describe, understand, and measure spatial differences in economic dynamics. This special issue thus contributes to a better understanding of the geography of entrepreneurship and may be helpful to researchers and public policy makers interested in local disparities.

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