Regional Dimensions of Entrepreneurship
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Regional Dimensions of Entrepreneurship

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Abstract

It was Maryann Feldman who first characterized entrepreneurship as a predominantly “regional event.” While the spatial, or more specifically, the regional perspective has long been ignored by entrepreneurship research, this changed in recent years. Globalization and regionalization (as two sides of the same coin), the new role of small firms in general for regional growth, and the increasing relevance of entrepreneurship policies drew several researchers’ attention to the regional causes and consequences of entrepreneurial activities.

This review assesses several theoretical arguments supporting the idea that entrepreneurial activities as well as entrepreneurial success (measured, for example, in terms of survival rates) are influenced in many cases by the attributes of the region (defined as a sub-national spatial unit) where the potential founder and the real founder of a firm was or actually is located. While there are still significant gaps in research in terms of adequate regional theories of entrepreneurship, a great number of empirical studies have been undertaken in the past decade to explore the interdependent relationship between regional environment on the one hand and entrepreneurial activities and success on the other. The results are quite heterogeneous, as
are the environments between regions within and especially between countries. However, it is rather clear now that the regional environment as an important context variable must not be ignored any further when exploring the determinants of firm creation and of new-firm growth.
## Contents

1 Introduction 1

2 Conceptualization of Entrepreneurship and Availability of Empirical Data 7

2.1 Conceptualization of Entrepreneurship 7
2.2 Data and Spatial Level of Analysis 10

3 Why a “Regional Event?” — Theoretical Foundations 13

3.1 Introduction 13
3.2 Regional and Other Determinants of the Start-up Decision and Growth 15
3.3 Entrepreneurship and Regional Growth Theories 17
3.4 Entrepreneurship and Regional Innovation Systems 20
3.5 Specific Role of Entrepreneurship in Urban Areas 24
3.6 Entrepreneurship and the Cluster Approach 28

4 To What Extent a “Regional Event?” — Empirical Evidence 33

4.1 Introduction: Data and Methodologies 33
4.2 Inter-regional Differences in Entrepreneurial Activity 37
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3 Inter-regional Differences in the Impact of Entrepreneurial Activity</td>
<td>44</td>
</tr>
<tr>
<td>4.4 Regional Attributes as Sources of Inter-regional Entrepreneurial Activity and Entrepreneurial Success</td>
<td>49</td>
</tr>
<tr>
<td>4.5 Relationship Between Regional-Sectoral Clusters and Entrepreneurial Activity</td>
<td>66</td>
</tr>
<tr>
<td>4.6 Entrepreneurs as Interchange Between the Regional and the Global — The “New Argonaut” Argument</td>
<td>71</td>
</tr>
<tr>
<td>5 Can Government Influence This “Regional Event?” — Policy Implications</td>
<td>77</td>
</tr>
<tr>
<td>5.1 Scientific Justifications of Regional Entrepreneurship Policies</td>
<td>78</td>
</tr>
<tr>
<td>5.2 Instruments, Target Groups and Empirical Evaluations</td>
<td>80</td>
</tr>
<tr>
<td>5.3 Regional/Local Entrepreneurship Policy as an Integral Part of an Endogenous Regional Development Strategy</td>
<td>91</td>
</tr>
<tr>
<td>6 Conclusions</td>
<td>103</td>
</tr>
<tr>
<td>Acknowledgments</td>
<td>107</td>
</tr>
<tr>
<td>References</td>
<td>109</td>
</tr>
</tbody>
</table>
Entrepreneurship and new-firm formation processes have been en vogue in economics, in regional science, and in economic geography for about 10 years, as well as in many applications of local economic development policy. Academic interest in both the subject of entrepreneurship and in “regional entrepreneurship” has increased considerably in the past decade. This is no doubt partly in response to the rise in interest shown by the political world, and also a result of the enormous need to catch up, particularly in the field of entrepreneurship research outside the USA. Tellingly, the number of scientific publications (only SSCI journal articles) on regional entrepreneurship increased to a significantly larger extent than those on entrepreneurship in general (see Figure 1.1). The “geographical turn in economics” (Martin, 1999) appears now to be repeating itself in entrepreneurship research.

In many countries, the number of research projects, publications and academics dealing with (regional) entrepreneurship has increased considerably since about the mid-1990s. International conferences (e.g., the Uddevalla Symposium in 2003 and 2005) and special issues of academic journals (e.g., Regional Studies in 2004, Zeitschrift für Wirtschaftsgeographie in 2005), that concentrate exclusively on
Introduction

Fig. 1.1 Increase in the number of publications on entrepreneurship and regional entrepreneurship 1985–2007 (indices).

Data source: Own calculations based upon Social Science Citation Index (as of 11-2-2008).

regional entrepreneurship are further evidence of the increased academic relevance of the discipline. Entrepreneurship is a most interdisciplinary topic involving not only traditional disciplines such as business administration and economics, but also in particular economic geography, psychology and sociology. Large-scale public basic research programs have generated important stimuli for entrepreneurship research in several countries (such as the “Interdisciplinary Entrepreneurship Research” priority program of the German Research Foundation (DFG) between 1998 and 2004), resulting in numerous publications (see the related edited volumes by Fritsch and Grotz 2002, Schmude and Leiner 2002, Fritsch and Niese 2004, Sternberg 2006b, Fritsch and Schmude 2006).
Despite an increasing number of empirical studies on regional variations in entrepreneurship (cf. Rocha, 2004 for a review), the contextual approach to entrepreneurship has long been discussed primarily from the perspective of the national economy. This volume offers theoretical arguments, empirical evidence and policy-based comments to support the hypothesis that entrepreneurial activities are to a large extent a “regional event” (Feldman, 2001). It is argued that regional (here synonymous with sub-national) determinants are much more relevant than national or supra-national framework conditions for both an individual’s decision to start a new business and for a start-up’s success (i.e., survival and growth). For example, entrepreneurs need the primarily regional, informal network of friends, former colleagues and bosses, relatives and first customers to be able to realize their start-up idea at all, particularly at the first attempt. It is regional or even local institutions such as banks, chambers industry and commerce and heads of business incubators who give “entrepreneurs-to-be” the decisive stimuli in this early phase of the entrepreneurial process. Not only the causes, but also the economic effects of entrepreneurial activities that politicians hope to achieve with their promotional measures can primarily be felt locally and regionally, at least in a start-up’s early days. Only when several start-ups actually develop into “gazelles,” forcefully growing, rapidly internationalizing new firms, can employment and other effects spread, to then be felt on a national scale. In each case, empirical research shows that the concentration of start-ups (particularly knowledge-intensive ones) in space and time has made a decisive contribution to the economic rise of regions that were previously anything but leading economic regions. This is demonstrated not only by the much quoted Silicon Valley (of the 1950s, Lee et al., 2000), but also by Munich (cf. Sternberg and Tamásy, 1999) or Cambridgeshire/UK (Segal Quince, 1985) over the past two decades and Shanghai (Müller, 2007) currently.

Entrepreneurship is a particular regional or local phenomenon because people usually start businesses where they were born, have worked (Boswell, 1973) or already reside (Haug, 1995). This explains why nascent entrepreneurs are very well established in their careers, life and communities. Therefore, a region rather than a nation seems to be
a better unit for understanding the most proximate factors affecting entrepreneurship (cf. Stam, forthcoming; Sternberg and Rocha, 2007). Due to this “geographic inertia” (Sorenson and Audia, 2000) as well as the spatial immobility of most entrepreneurs and their start-ups (Malecki, 1997; Cooper, 1985), such start-ups are in theory elements of the regionally endogenous development potential (Johansson et al., 2001) and therefore contributing factors to endogenous regional development (Sternberg, 2003) to mention a specific attempt to support regional development on the basis of elements within the region itself (see Hahne, 1985 as well as the policy section of this volume).

The structure of this volume consists of theoretical foundations, empirical evidence and policy implications — and is therefore consistent with the contents of Figure 1.2. Empirical research is shown in particular detail. There are two reasons for this: First, there are far more empirical studies on regional entrepreneurship than theoretical or policy-oriented studies. Second, if the hypothesis that “space matters for entrepreneurship” is acknowledged, empirical evidence is of

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**Fig. 1.2** Theories, issues and government policies in entrepreneurship research.  
*Source: Sternberg (2004a, p. 20).*
course central to the real relationship between space and entrepreneur-
ship. This would be different if academic understanding were based on
a grand theory of regional entrepreneurship, i.e., a theory valid in all
regions of a country or in all countries. Instead, this volume is char-
acterized by an eclectic understanding of theory: since regions differ
in terms of their regional entrepreneurial framework conditions (which
influence entrepreneurial activities and attitudes), it makes little sense
to apply global entrepreneurship theories, as they do not apply to the
same extent in every region (even though some theories apply to many
regions). Rather, there are various theories that are each valid for spe-
cific regional framework conditions.

The aim of this volume is to give an overview of the literature on
regional entrepreneurship, covering as many countries and sub-national
regions as possible. Nevertheless, a certain focus on Western Europe
and North America, and occasionally on German studies in the empir-
ical section in particular, is unavoidable. This is a consequence of the
specific academic background of the author and the particularly large
quantity of empirical research on regional entrepreneurship and region-
ally focused entrepreneurship policies in these areas.
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Full text available at: http://dx.doi.org/10.1561/0300000024


References


References 115


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References


References


References


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