The Geography of Entrepreneurship

Regional and individual determinants of new firm formation in Sweden

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Akademisk avhandling

som med vederbörligt tillstånd av Rektor vid Umeå universitet för avläggande av filosofie doktorsexamen framläggs till offentligt försvar i

Hörsal E, Humanisthuset,
fredagen den 21 februari 2020, kl. 10:00.
Avhandlingen kommer att försvaras på engelska.

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Abstract

While there is a rich and growing body of literature on both individual and regional determinants of entrepreneurship, the dominant perspective assumes that these factors play a similar role in different spatial contexts. The thesis investigates in the first place the link between firm formation and economic opportunities that might be conditional on the regional setting. That is, that do not necessarily provide universal outcomes. Investigating that link might be of particular significance for the formation and performance of new firms in peripheral and stagnating regions. Such regions may benefit the most from tailored-made and research-guided policies.

To address this goal, three quantitative studies were conducted based on data from Swedish registers and other sources provided by Statistics Sweden. Each study aimed to answer key questions regarding firm formation and regional development: (1) can regional unemployment trigger a new wave of business formation, (2) how can regional characteristics compensate for a relative absence of agglomeration externalities, and (3) how may the region utilize the potential of people moving into a region (non-local entrepreneurs) to foster entrepreneurship?

The results suggest that while entrepreneurial activities indeed might absorb some redundant employees during times of less favorable labour market conditions, entrepreneurial policies cannot be considered a universal and anticyclical driver of economic growth. Instead, the more acute the labour market conditions are, the lower the quality of an average start-up becomes. According to the results, human capital, social capital and entrepreneurial culture are important for the variation in start-up rates across municipalities in Sweden. Human capital and entrepreneurial culture might enhance start-up activities in a similar way in different regional contexts. Social capital, in contrast, might exert effects of different magnitude depending on other regional characteristics and can moderate the scarcity of local resources. Finally, the results show that benefits stemming from access to local networks, information or locally recognizable credibility can be diminished when more diversity is introduced into the regional economy.

Overall, the results suggest that regional disadvantages might be offset at least to some degree by other types of regional assets. These findings call for more flexibility in our thinking about entrepreneurship agendas as a part of regional development that do not need to deal with all regional challenges, but instead focus on some regional advantages and how they can compensate for a lack of resources that are abundant in other regions.

Keywords
entrepreneurship, start-up, regional development, urbanization, peripheries