WHERE AND WHY IN AMERICA? BUSINESS START-UPS IN THE CONTINENTAL UNITED STATES FROM 1990 TO 2006 (SUMMARY)

Larry Plummer

University of Oklahoma, larry.plummer@ou.edu

Recommended Citation


Available at: http://digitalknowledge.babson.edu/fer/vol30/iss15/17
SUMMARY

WHERE AND WHY IN AMERICA?
BUSINESS START-UPS IN THE CONTINENTAL UNITED STATES
FROM 1990 TO 2006

Larry Plummer, University of Oklahoma, USA

Principal Topic

Most scholars believe that new firms concentrate geographically where conditions favor entrepreneurial activity. However, empirical evidence on this point is mixed. For example, while Zucker, et al (1998) find that new biotechnology firms congregate near universities, Dumais, et al (2002) conclude that startups have a “de-agglomerating” effect by locating away from same-industry agglomerations.

Audrestch, et al’s (2005) “knowledge spillover theory of entrepreneurship” posits that a region’s total level of entrepreneurial activity is driven by knowledge creation and local economic growth. The theory suggests that knowledge-driven entrepreneurship is distinct from growth-driven entrepreneurship. Thus, the mixed evidence may reflect the heterogeneity across different types of entrepreneurial activity and their respective causes.

The purpose of this study is to explore this possibility using a multi-industry dataset of firm births encompassing the continental U.S. This study explores two fundamental conjectures—that new firms concentrate geographically and that the determinants of knowledge-based entrepreneurship are distinct from the determinants of growth-based entrepreneurship.

Method

Using data from the US Census Bureau’s Business Information Tracking Series, county firm birth rates are measured for seven industrial sectors. The resulting panel dataset includes 3,009 counties in the continental U.S. and covers a seventeen-year period (1990 to 2006).

The data analysis tools map county birth rates three ways: percentile maps, circular cartogram maps, and cluster maps. The cluster map is based on global and local Moran’s I statistics for spatial autocorrelation. A positive and statistically significant global Moran’s I statistic indicates support for the first conjecture. For the second conjecture, each industry birth rate is regressed on a set of growth-based variables and a set of knowledge-based variables. Driscoll and Kraay’s fixed-effects estimator, which is robust to serial and spatial autocorrelation, is used to test the hypotheses. For sensitivity analysis, the models are re-estimated using a dynamic panel estimator robust to endogenous variables.

Results and Implications

The results support both conjectures. Indeed, the findings indicate (at least) two types of entrepreneurial activity each with a respective set of stimuli. This may indicate that the knowledge spillover theory of entrepreneurship may offer a more robust explanation of regional entrepreneurial activity.

CONTACT: Larry Plummer; larry.plummer@ou.edu; (T): 405-325-5733; Price College of Business, 307 W. Brooks, AH6B, Norman, OK 73069.