

6-11-2011

AGGLOMERATION VS. ORGANIZATIONAL REPRODUCTION: THE MOLDS CLUSTER IN PORTUGAL (SUMMARY)

Carla Costa

Carnegie Mellon University, IST, Technical University of Lisbon, carlac@cmu.edu

Rui Baptista

IST, Technical University of Lisbon

Recommended Citation

Costa, Carla and Baptista, Rui (2011) "AGGLOMERATION VS. ORGANIZATIONAL REPRODUCTION: THE MOLDS CLUSTER IN PORTUGAL (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 31: Iss. 4, Article 4.
Available at: <http://digitalknowledge.babson.edu/fer/vol31/iss4/4>

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.

≈ SUMMARY ≈

**AGGLOMERATION VS. ORGANIZATIONAL REPRODUCTION:
THE MOLDS CLUSTER IN PORTUGAL**

Carla Costa, Carnegie Mellon University, USA; IST, Technical University of Lisbon, Portugal
Rui Baptista, IST, Technical University of Lisbon, Portugal

Principal Topic

This paper examines the mechanisms that drove regional clustering of the molds industry in Portugal. This industry is strongly agglomerated in Marinha and Oliveira, outside the main metropolitan centers. Two alternative theories aiming to explain the clustering process are considered: agglomeration theory and organizational reproduction theory.

Agglomeration theory (Porter 1991, Krugman 1992) claims that once firms in an industry begin to congregate to a specific region, labor pooling, technological spillovers, and a rich supplier industry stimulate further growth and entry. The evidence compiled about clusters is broadly consistent with the importance of such agglomeration economies (Baptista and Swann 1998; Rosenthal and Strange 2004).

Organizational reproduction theory (Klepper 2007, 2008) claims that a firm's pre-entry experience critically shapes its performance and its spinoff creation rate. Subsequently, better firms generate more spinoffs that become superior performers. Since entrepreneurs tend not to venture far from their geographic origins (Figueiredo, et al. 2002), this dynamic process leads to a build-up of superior firms in a region. This process does not require the existence of any benefits or externalities associated with agglomeration.

Method

Our study uses a Portuguese longitudinal matched employer-employee data set including extensive information on the mobility of workers and business owners for the period 1986-2008. The study follows all firms entering in the Portuguese molds industry over a period of 22 years. We estimate models of the probability to spawn a molds company as a function of the region and industry of origin of the entrepreneur, controlling for economic cycles. We also analyze the probability a molds entrant will locate in its' home region and the performance of entrants according to their heritage.

Results and Implications

Results show support for both theories when we consider the likelihood of firms spawning entrants and the location of entrants whereas the analysis of performance supports only the organizational reproduction theory. In part this may reflect the period examined, that is well after the molds industry became geographically concentrated. All our findings, though, point to the importance of a firm's heritage in the rate at which spawning occurs and also in entrants' location and performance.

CONTACT: Carla Costa; carlac@cmu.edu; (T): +351.218417787; IN+ IST, Technical University of Lisbon, Av. Rovisco Pais, 1049-001 Lisbon, Portugal.