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LINKING REGIONAL CONDITIONS TO INDIVIDUAL ENTREPRENEURIAL BEHAVIOR (SUMMARY)

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SUMMARY

LINKING REGIONAL CONDITIONS TO INDIVIDUAL ENTREPRENEURIAL BEHAVIOR

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Principal Topic

In various studies it is found that regional variation in entrepreneurship is significant and persistent (see e.g. Parker, 2005; Fritsch and Mueller 2006). This means that regional conditions may represent incentives or obstacles for potential entrepreneurs, thus affecting (i) their intention to start a firm and (ii) their entrepreneurial behavior (performance). This proposition calls for assessing the effect of regional conditions (macro) to individual entrepreneurial behavior (micro).

However, up to now the analysis on determinants of entrepreneurship has focused either on macro-macro analysis (linking regional conditions to regional levels of entrepreneurship) or micro-micro analysis (linking personal characteristics to involvement in entrepreneurship and/or post-entry performance). There are a few exceptions, e.g. Wagner and Sternberg (2004); Fritsch, Brixy and Falck (2006). In this paper we explain several types of micro-level entrepreneurial behavior by a variety of macro-level (regional) characteristics, including regional measures of entrepreneurial attitudes. We hypothesize that the degree of perceived opportunities in the region can be regarded as a regional characteristic and is as such a determinant of micro entrepreneurial behavior.

Method

We use data from the Global Entrepreneurship Monitor (GEM) for fifteen European countries during 2001-2005. Our dataset includes about 200,000 observations with information on entrepreneurial attitudes and entrepreneurial behavior, including nascent activity and expected future activity. We distinguish between growth/innovation oriented entrepreneurial behavior and small-scaled entrepreneurial behavior (‘shopkeepers’).

We create regional indicators (for more than 100 regions in Europe) on entrepreneurial attitudes that pertain to the 2001-2005 period by merging 2001-2005 GEM data at the individual level. The entrepreneurial attitudes refer to self-efficacy, perceived opportunities in the region and fear of failure. We also use regional demography, labor market and knowledge base characteristics, supplied by the Eurostat Regional Database, and other available sources as explanatory variables or explaining different types of entrepreneurial behavior on the individual level.

Results and Implications

In this paper we argue that regional characteristics matter for explaining individual entrepreneurial activity. From a policy perspective, acknowledging the regional context is important, as regional entrepreneurship policy is designed to influence individuals and new firms such that, in the end, regional performance will be improved.

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