ENTREPRENEURIAL ACTIVITY IN SMALL AND REMOTE ISLAND ECONOMIES: IS IT DESTINED TO FAILURE? (INTERACTIVE PAPER)

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The external entrepreneurial environment in any location comprises the different conditions that influence new ventures apart from those that are internal to the venture (Gartner 1985). Therefore, the new firm will be directly influenced by its location and its survival will depend on its adaptability and its ability to maximise entrepreneurial efforts within its specific environmental context (Aldrich and Martinez, 2001). The *entrepreneurial environment* “refers to a combination of factors that play a role in the development of entrepreneurship” (Fogel 2001: 103). In this paper, we analyse the assessment made by firms in small and remote islands economies, of the entrepreneurial environment in their region, by quantifying and evaluating key factors identified in the literature; and comparing and contrasting the findings with the assessment made by firms located in potentially more advantageous locations.

**Method**

A total of 595 completed questionnaire-based surveys were collected from firms located in four different regions: two Outermost Regions of Europe (ORE), the Canary Islands and Madeira; and two mainland regions in more favourable locations, Catalonia and Lisbon. We use the Mann-Whitney U test to examine statistically significant differences between regions within the same country.

**Results and Implications**

There are significant statistical differences on the assessment of the entrepreneurial environment made by firms in the different regions studied. The firms in Catalonia and Lisbon tend to rank higher those factors associated with the economic, technological and infrastructural environment; namely, the supportive industrial structure, investments in research and development and good communication and transport infrastructures. However, fiscal incentives were scored higher in the two ORE compared to the other regions; as well as the supportive governmental policies factor in Madeira. Finally, there are also significant differences between the Canary Islands and Catalonia on the assessment of the facility to identify a business opportunity by firms from in Manufacturing and Tourism sectors. This study contributes to the identification of some of the key issues on entrepreneurship in regions with major external constraints; and emphasizes the important role that regional governmental policies can play in promoting entrepreneurship.

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