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PERFORMANCE DIFFERENTIALS OF AGGLOMERATION AND STRATEGIC GROUPS: A TEST OF INCUBATION AND NEW VENTURE STRATEGY (SUMMARY)

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ENVIRONMENT

SUMMARY

PERFORMANCE DIFFERENTIALS OF AGGLOMERATION AND STRATEGIC GROUPS: A TEST OF INCUBATION AND NEW VENTURE STRATEGY

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Principal Topic

The examination of firm performance among incumbents and its interaction with industry structure and its environment (Davidsson & Wiklund, 2001; Wiklund & Shepherd, 2005) is highly evolved in the fields of strategy (McCann & Folta, 2008) and economics (Ellison, Glaeser, & Kerr, 2010). However, in entrepreneurship scholars have dealt less frequently with these relationships and, as consequence, little is known about how these attributes affect the performance of new ventures (Short, Payne, & Ketchen, 2008). Further, the effects of agglomeration of companies are not fully known (McCann & Folta, 2011) even though its effects do benefit industries and local economies (Rosenthal & Strange, 2003).

Our paper examines how industrial agglomeration and strategic group membership affects the performance of new ventures that pursue business incubation as a strategy. We examine the interaction between environmental conditions and new venture strategy. These are measured as agglomeration at the state and local level and membership in a strategic group, respectively. We set out to study agglomeration and strategic groups phenomena at its emergence through the study of new ventures in environments where industry agglomeration is non-existent.


Method

Business incubators constitute a unique setting to investigate the behavior of entrepreneurial strategic groups. We use a unique longitudinal dataset covering the entire spectrum of business incubators and their tenants in the United States spanning 18 years. This national census of business incubators observations for 990 business incubators, 18,400 incubated businesses, of which 4,148 belong to a strategic group, and 35,300 non-incubated businesses.

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