

# International Week

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Research Field : Territorial Regenerative Economy

## Territorial and Sectorial Dynamic of Entrepreneurship in France

WHY FOCUSING UPON THAT RELATIONSHIP?  
1991 – Birth of Territorial Regenerative Economy?

Territorial dynamic of entrepreneurship

# CONTENTS

- \* 1 – TERRITORY as a key component of entrepreneurship
  
- \* 2 – ENTREPRENEUR as a key component of territorial dynamic

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Territorial dynamic of entrepreneurship

# CONTENTS

- \* FIRST PART – TERRITORY as a key component of entrepreneurship
  - \* 1 - What is an entrepreneur?
  
  - \* 2 - How will territory influence entrepreneurial program?
  
  - \* 3 - What is the role of “geography” in firm creation in France?

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Territorial dynamic of entrepreneurship

## CONTENTS

- \* PART 2 - ENTREPRENEUR as a key component of territorial dynamic
  - \* 1 - Territorial development engines: how the entrepreneur interferes?
  - \* 2 - What is this invisible hand that is linking entrepreneurship with territory in France ?
  - \* 3 - Could we explain the paradox of the “Nord-Pas-de-Calais” Region?

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## TERRITORY as a key component of entrepreneurship

- \* What is an entrepreneur?
  - \* Two benchmarks:
    - \* 1 – its function
    - \* 2 – its motivation
  - \* Function: the entrepreneur is the driving force in the long term cycle reiteration. The innovative entrepreneur turns declining activities into rising new ones (Schumpeter, 1911)
  - \* The nature of entrepreneur: to Innovate – to create, to be an opportunist

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TERRITORY as a key component of entrepreneurship

## The nature of entrepreneur - Function

- \* Example: Blablacar - the French tech – connect drivers with potential passengers on a specific itinerary
- \* “Anything new that creates a shift in the former way of production is an innovation” (Schumpeter, 1911 ; Torre, 2015). That means new technology, new product, new organization, new social institution and on

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TERRITORY as a key component of entrepreneurship

## The nature of entrepreneur - Function

### How this function works?

- \* Kirzner (1973, 1997), the profit- motivated entrepreneur is looking for opportunities and is endowed with a zero cost “*alertness*” function.
- \* Demsetz (1993) considers entrepreneurship as time, energy, resource consuming so that the process is longer and more expensive

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TERRITORY as a key component of entrepreneurship

## The nature of entrepreneur - Function

- \* **Territory in the Entrepreneur basic model: occupational choice of an entrepreneur (Knight model 1921)**
  - \* Probability to become an entrepreneur is a growing function of the gap between profit earning expectancy by starting up and wage earning as workers
  - \* Components: entrepreneurial “capabilities”, the profit determination, the individual wealth, **the regional wage**
  - \* All traditional components in the calculation can be associated to a local context
  - \* Example: “Mezzogiorno” -industrialization paved the way to higher wage and lowered entrepreneurship

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TERRITORY as a key component of entrepreneurship

## The nature of entrepreneur - Function

- \* **Occupational choice of the entrepreneur**

$$MAX \pi_i / \omega_i \rightarrow o_i = (e \cup w)$$

(1)

(2)

the individual choice (2) is the outcome of a trade between expected profit and wage (1)

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TERRITORY as a key component of entrepreneurship  
The nature of entrepreneur - Function

### *Occupational choice and the entrepreneurial dynamic*

$$MAX \pi_i / \omega_i \rightarrow o_i = (e \cup w) \rightarrow P = (E, W) \rightarrow \frac{\Delta Efficiency}{\Delta Productivity}$$

(1)

(2)

(3)

(4)

The share of population P between entrepreneur and worker (3) explains efficiency and productivity gain associated with a territory (4)

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TERRITORY as a key component of entrepreneurship  
The nature of entrepreneur - Motivation

### **2 – motivation – Profiling entrepreneur**

the perception of the situation where an entrepreneur is when starting its own business (the reference point) is a key of understanding the entrepreneurial dynamism in an economy

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TERRITORY as a key component of entrepreneurship  
The nature of entrepreneur - Motivation

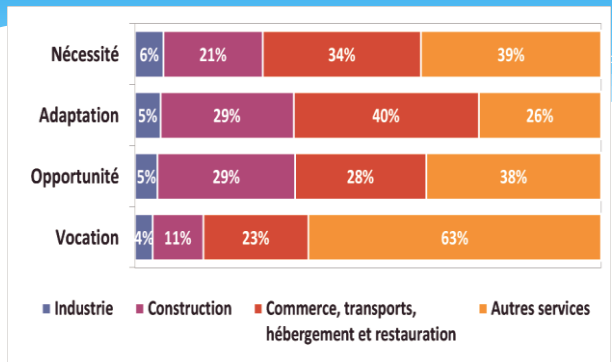
Bloch and Wagner (2010): They is a “pull” or “push” effect according to which category entrepreneur belongs to.

INSEE 2006

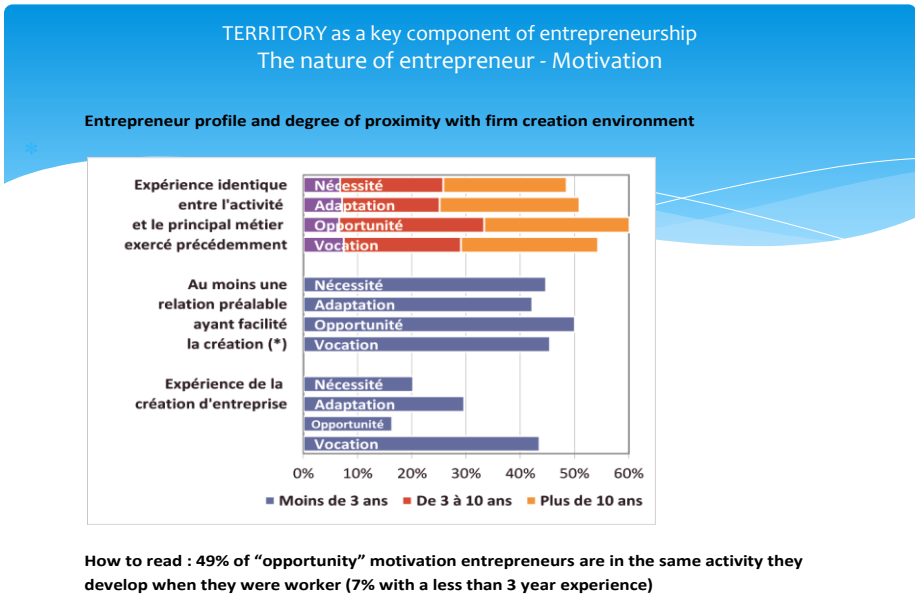
- \* A - “Necessity” entrepreneurs – senior or unemployed (36%)
- \* B - “Adaptation” entrepreneurs - low diploma level (22 %)
- \* C - “Opportunity” entrepreneur - mainly former workers(23 %)
- \* D - “Vocation” entrepreneur - higher educational skill, higher capital endowment they want to use their own expertise or create new idea (19 %)

TERRITORY as a key component of entrepreneurship  
The nature of entrepreneur - Motivation

Entrepreneur profile and activity sector



For “adaptation” motive, 40% are concentrated in “Trade” sector (only 23% for “vocation” entrepreneur). At the opposite nearly 2/3 of “vocation” motivated entrepreneur are on service sector, more than twice the “adaptation” motivated entrepreneur.



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- TERRITORY as a key component of entrepreneurship
- \* Section 2: How territory influences the entrepreneur program?
  - \* A – Territory the Entrepreneurial decision
  - \* B – Territory the Entrepreneurial dynamic

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TERRITORY as a key component of entrepreneurship  
 How territory influence the entrepreneur program?

**\* A – Territory and the Entrepreneurial decision**

**Occupational choice and the territory/entrepreneurial dynamic**

$$\begin{matrix}
 MAX \pi_i/\omega_i \rightarrow o_i = (e \cup w) \rightarrow P = (E, W) \rightarrow \frac{\Delta Efficiency}{\Delta Productivity} \rightarrow \Delta p, \Delta q, \Delta \pi_i \Delta \omega_i \rightarrow MAX \pi'_i/\omega'_i \\
 (1) \qquad (2) \qquad (3) \qquad (4) \qquad (5) \qquad (6)
 \end{matrix}$$

(4) leads to variation in price, quantity, profit, wage (5) and to a new level of profit and wage associated with a territory (6)

TERRITORY as a key component of entrepreneurship  
 How territory influences the entrepreneur program?

**\* B – Territory and the entrepreneurial dynamic**

**\* 1 - The role of externalities**

A MIX OF

- \* Knowledge spillover (Acs and AI, 2009)
- \* Training effect
- \* Specialization and agglomeration externalities

TERRITORY as a key component of entrepreneurship  
How territory influences the entrepreneur program?

\* **Specialization externalities**

- \* “business atmosphere” (Marshall 1890)
- \* Specialization externalities (Marshall-Arrow-Romer) through a pool of specialized workforce and customer/provider proximity
- \* Diversity externalities (Jacob)

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TERRITORY as a key component of entrepreneurship  
How territory influences the entrepreneur program?

\* **Agglomeration externalities**

there is agglomeration economy if the net profit associated with localization close to other similar activities is rising with the number of firms on the area

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TERRITORY as a key component of entrepreneurship  
How territory influence the entrepreneur program?

## 2 - New economic geography model (Krugman, 1991)

- \* stresses on agglomerative process in a place
- \* MUCCHIELLI (2003): Firms are "... like the penguins on the ice, they try to come together because they all produce an externality, positive in this case ... . Penguins, when they get together, will generate heat that they could never reach if they were scattered on the ice".
- \* Is entrepreneur a penguin ?



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TERRITORY as a key component of entrepreneurship  
How territory influences the entrepreneur program?

## 3 - The "Cluster" approach (Porter, 1998)

- \* Stresses on interconnected companies and associated institutional tied by **commonalities and complementarities** in the territorial development process. Externalities come from related-proximities and not from geography proximity that is not considered as sufficient ... (BOSCHMA, 2005, TORRE and RALLET, 2005)
- \* **the knowledge exchange** process is point out with the high level of informal interaction as cluster is embedded **in a cohesive and closed social environment**, and also inter-firm links in cooperation networks, work mobility, spin-offs creation (BOSCHMA and TER VALL, 2007)

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TERRITORY as a key component of entrepreneurship  
How territory influences the entrepreneur program

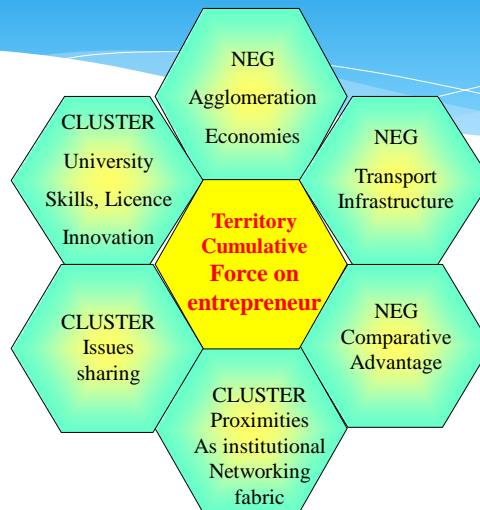
### “territory” matters

- \* By the business behavioral logic of identification leading to a logic of belonging (where interaction are facilitated by explicit or implicit rules and routines) and the logic of similarity where “closeness” turns into “aliveness” facilitating then the ability to interact
- \* By the notion of “**learning region**” (Johnson and Lundvall, 1994; Maillat and Kebir, 1999). Region growth is understood through a set of advantage like a territorial competitive advantage. Concentration upon a territory will favor cooperation and transfer of tacit information that goes with the development of innovative project.

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### Territory and the cumulative force on entrepreneurship



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TERRITORY as a key component of entrepreneurship  
How territory influences the entrepreneur program

### Case Study: The Silicon Valley explained by the entrepreneurial capital (Audrestch and Keilbach, 2004)

- \* “not only the concentration of skilled labor, suppliers and information distinguish the area, but a variety of regional institutions including Stanford University, several trade associations and local business organizations, a myriad of specialized consulting, market research, public relations and venture capital firms – provide technical, financial and networking services which the region’s enterprises often cannot afford individually.”
- \* “Individuals moves easily from computer to network makers, from established firms to startups, and they continue to meet at trade shows, industry conferences. In these forums, relationship are easily formed and maintained, technical and market information is exchanged... Such contexts generating a high propensity for economic agent to start new firms”

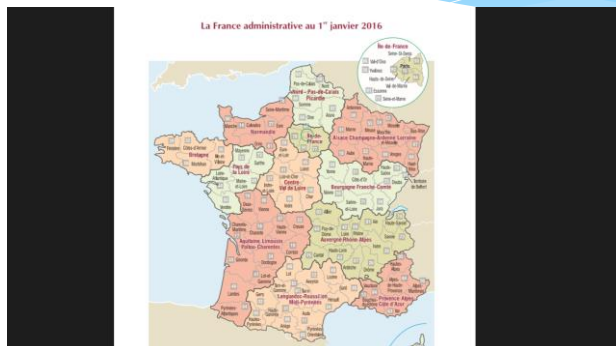
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TERRITORY as a key component of entrepreneurship

### Section 3: Territorial factors of the entrepreneurial dynamic in France

**French New Territorial Organization 1/1/2016**



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TERRITORY as a key component of entrepreneurship  
How territory influence the entrepreneur program

**REGIONAL GROWTH DIFFERENTIAL**

\* **Annual growth rate in mean for French New-Region 1990 – 2012 (%)**



1	Pays de la Loire	2,2
2	Languedoc Roussillon Midi Pyrénées	2,1
3	IDF	1,8
4	PACA	1,7
5	Bretagne	1,7
6	Aquitaine	1,7
7	Auvergne Rhône-Alpes	1,6
8	Normandie	1,2
9	Nord-Pas-de-Calais	1,2
10	Centre-Val de Loire	0,9
11	Alsace Champagne Ardennes Lorraine	0,8
12	Bourgogne Franche-Comté	0,8

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TERRITORY as a key component of entrepreneurship  
How territory influence the entrepreneur program

\* **Levratto, Carre and Zouikkri (2013)**

\* The model is measuring the entrepreneurial dynamic in France in term of firm creation (CREA) by identifying 3 sets of territorial variables named “STRUCTURE”, “AGGLO” and “ATMOSPHERE” expressed in the following model

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TERRITORY as a key component of entrepreneurship  
How territory influence the entrepreneur program

$$CREA_d = a STRUCTURE_{ud} + b AGGLO_{vd} + c ATMOSPHERE_d$$

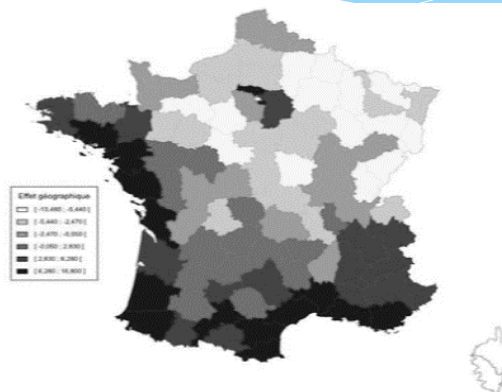
- \* “structure” is a set of variables: the public investment spending, unemployment rate, intensity in R&D (rate of R&D job in firm)
- \* “agгло” is related to the concentration of firms : economic density (Job per km<sup>2</sup>) and industrial profile (share of industrial value added in the GDP). A dummy variable is introduced for isolating the IDF asymmetric weight.
- \* “atmosphere” is related to the geographically invisible variable as the social or entrepreneurial capital . the geography component by the “shift-share” method will capture this “atmosphere” effect.

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How territory influence the entrepreneur program

- \* **Geographic effect at departmental level between 2000 and 2008**



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TERRITORY as a key component of entrepreneurship  
How territory influence the entrepreneur program

Tableau 2 : Résultats des estimations

VARIABLES	Modele CREA		Modele CREA-1	
	(1)	(2) - Stepwise du modele 1	(3)	(4) - Stepwise du modele 3
<i>lnEG</i>	0.093*** (0.016)	0.087*** (0.018)	-0.051* (0.028)	-0.062** (0.026)
<i>lnCHOM</i>	0.326*** (0.054)	0.290*** (0.052)	-0.106 (0.084)	-0.155* (0.083)
<i>lnRD<sup>IS</sup></i>	0.025*** (0.006)	0.022*** (0.006)	-0.043*** (0.012)	-0.050*** (0.010)
<i>lnIND</i>	0.042 (0.035)		0.073 (0.069)	
<i>lnIND<sup>T</sup></i>	0.014 (0.035)		-0.157** (0.065)	-0.159** (0.079)
<i>lnDENS</i>	0.022* (0.012)	0.036*** (0.008)	-0.023 (0.023)	
<i>IDF</i>	0.097** (0.047)		-0.227** (0.094)	-0.328*** (0.045)
Constant	1.296*** (0.278)	1.514*** (0.133)	-1.898*** (0.411)	-1.673*** (0.451)
Observations	94	94	94	94
R <sup>2</sup>	0.65	0.64	0.47	0.46

Erreurs standards robustes entre parenthèses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.10

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