

Chapter 1

Do Technological Factors Impact Differently on Rural and Urban New Venture Performance? Empirical Evidence From the Portuguese Case

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ABSTRACT

Research on the relationship between entrepreneurship and context has gained considerable attention in recent years. However, this stream of literature has yet to adequately address the topic of entrepreneurship in rural areas. This chapter intends to fill this gap by investigating the extent to which technological-related factors affect the performance of new ventures located in rural and urban areas. Based on a sample of 408 newly created ventures located in Portuguese business incubators (BIs) and science parks (SPs), and employing logistic estimations, two main conclusions were derived. They are 1) support from BIs/SPs matters the most to the export and global innovation performance of new ventures located in rural areas and 2) support from universities and other higher education institutions, and the regularity of research and development (R&D) collaborations between new ventures and R&D institutions are more relevant to the turnover and innovation performance of new ventures located in urban areas than those in rural areas.

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INTRODUCTION

In the last few decades, the study of entrepreneurship has drawn greater attention from governments, policy-makers and individuals, as it is considered a fundamental tool for the economic development of countries and regions (Escandón-Barbosa, Urbano, Hurtado-Ayala, Salas paramo, & Dominguez, 2019). It is therefore not surprising that entrepreneurship is considered as a key component of the European union's (EU) Europe 2020 strategy for smart, sustainable and inclusive growth (Strano et al., 2012).

Given that the institutional context in which the enterprises are located is a highly relevant factor, a vast amount of literature has explored the influence of institutional contexts on new venture creation and development (Welter, 2011; Welter & Smallbone, 2011; Zahra, Wright, & Abdelgawad, 2014). In fact, entrepreneurship is a socio-spatial activity, in which entrepreneurs take advantage of local resources and conditions (Trettin & Welter, 2011). As such, entrepreneurship can be regarded as a predominantly local/ regional event (Baumgartner, Pütz, & Seidl, 2013; Müller, 2016).

Research on the relationship between entrepreneurship and context has been dominated by theoretical approaches, such as agglomeration theory (Candau & Dienesch, 2015; Glaeser, Ponzetto, & Tobio, 2014), economic geography (Parrino, 2015), and institutional theory (Adomakoa, Opokub, & Frimpong, 2018). Based on this conceptual diversity, scholars have developed relevant knowledge about critical contextual factors, processes and models (Ács, Autio, & Szerb, 2014) that foster creative, novel analyses and explanations by situating phenomena, theories and findings in their natural setting (Zahra et al., 2014).

However (and perhaps surprisingly), this stream of literature is profoundly problematic when applied to entrepreneurship in rural areas (Muñoz & Kimmitt, 2019). The focus on metropolitan and urban areas (Baumgartner, Schulz, & Seidl, 2013), and the assumption that entrepreneurship follows similar patterns in rural areas seems to imply the absence of efficient support mechanisms for entrepreneurship in rural contexts (Muñoz & Kimmitt, 2019).

In fact, the emphasis on general frameworks and institutional factors does not explain the factors that affect rural entrepreneurship and, thus, cannot inform policies at the regional or national levels. This signals a considerable weakness in the extant literature, restricting the understanding of entrepreneurial enablers and dynamics in rural contexts. This is all the more so if we consider that in the EU, rural areas are home to more than half of the population and cover more than three quarters of the territory (EU, 2016). Moreover, rural areas have distinctive qualities (Ring, Peredo, & Chrisman, 2010) and several opportunities emerge including increased demand for recreation and amenities, as well as quality products from the food and light manufacturing sectors (Stathopoulou, Psaltopoulos, & Skuras, 2004).

A recent study by Pato and Teixeira (2020) investigates the extent to which institutional factors impact distinctively on the performance of rural and urban new ventures. Technological-related infrastructures have proliferated in rural areas (Bruneel, Ratinho, Clarysse, & Groen, 2012; Ratinho & Henriques, 2010), namely business incubators (BIs) and science parks (SPs), universities and other higher education institutions, as well as research and development (R&D) centers. This study thus aims to complement Pato and Teixeira's (2020) research by focusing on the influence of technological-related factors on new venture performance and by investigating whether this influence varies in the case of new ventures located in rural versus urban areas.

Methodologically, logistic estimations have been used based on a sample of 408 new ventures located in BIs and SPs across Portuguese rural and urban areas, in this case, municipalities. We have opted specifically new ventures located in these infrastructures, not only because this approach serves to compare businesses that share a certain common profile, that is, technology-based and knowledge-intensive, but

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