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## The entrepreneurial ecosystem clock keeps on ticking – Regional persistence of high-growth firms

Jasper van Dijk<sup>1,2</sup>, Jip Leendertse<sup>3</sup>, Erik Stam<sup>1,4</sup>, Frank van Rijnsoever<sup>3</sup>

<sup>1</sup> Utrecht University School of Economics, Utrecht University

<sup>2</sup> Instituut voor Publieke Economie

<sup>3</sup> Innovation Studies, Copernicus Institute of Sustainable Development, Utrecht University

<sup>4</sup> Stellenbosch University

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### Abstract

The entrepreneurial ecosystem framework rests on the assumption that regional conditions enable productive entrepreneurship. However, existing studies lack longitudinal designs, and thereby provide limited evidence for causal mechanisms. In a first longitudinal step Coad and Srhoj (2023) argue that the relationship between entrepreneurial ecosystems and productive entrepreneurship only holds if the prevalence of high-growth firms, a proxy for productive entrepreneurship, in a region is persistent. They do not find consistent evidence of regional persistence of high-growth firms in Croatia and Slovenia. This leads them to conclude that the entrepreneurial ecosystem framework is not valuable for policymakers. We argue that their interpretation and generalization are incorrect. In fact, we argue that their findings are consistent with a further articulated entrepreneurial ecosystem theory. We provide a more articulated entrepreneurial ecosystem theory by formulating three hypotheses on causal mechanisms between entrepreneurial ecosystems and productive entrepreneurship. To test these hypotheses, we first replicate the study by Coad and Srhoj (2023) at two regional levels in the Netherlands with three measures of high-growth firms and in European regions with a measure of potential high-growth firms. We then extend the study by Coad and Srhoj (2023) and show that there is a positive relation between entrepreneurial ecosystem quality as well as entrepreneurial ecosystem size and regional persistence of high-growth firms. Our results challenge the dismissal of the entrepreneurial ecosystem theory. We propose a more nuanced understanding that considers regional differences in the effects of entrepreneurial ecosystem quality and size on the persistence of high-growth firms.