Introduction to "Entrepreneurship and the Demography of Firms and Industries", Special Issue

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Two stylized facts that have emerged consistently in the economics literature pose something of a puzzle to scholars. The first, which has received considerable attention at least since the seminal study by Herbert Simon and Charles Bonini (1958) some four decades ago, is the persistence of an asymmetric firm-size distribution predominated by small enterprises. Ijiri and Simon (1977, p. 2) characterize this "regularity in social phenomena that is both striking and observable in a number of quite diverse situations. It is a regularity in the size distribution of firms."

In fact, virtually no other economic phenomenon has persisted as consistently as the skewed asymmetric firm-size distribution. Not only is it almost identical across every manufacturing industry, but it has remained strikingly constant over time, at least since the Second World War, and even across developed industrialized nations.

The second puzzling result is that the entry of new firms into an industry is remarkably high and robust across a broad spectrum of economic contexts. At the same time, the exit of enterprises is also strikingly high. Because these two phenomena tend to offset each other, the static view of the enterprise distribution is very different from the dynamic view.

The purpose of this special issue is to link together entrepreneurship and the demographics of firms and industries. The special issue results from a conference held in Barcelona on November 16–17, 2002.

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In "Creative Destruction and Human Resources: On the Embeddedness of Organizational Processes of Strategy and Structure," Dieter Boegenhold examines firm and industry dynamics as being socially embedded and historically contingent. Gerke J. Hoogstra and Jourk van Dijk, in "Explaining Firm Employment Growth: Does Location Matter?" address the question to what extent the location of a firm can be regarded as having an influence on firm performance. The firm life cycle plays a central role in firm demographics. In "How Does the Probability of Process Innovation Change with Firm Age?" Elena Huergo and Jordi Jaumandreu link the probability of introducing process innovations to the stage of the firm's life cycle.

A large literature has emerged focusing on the post-entry performance of firms. However, virtually no study has linked the post-entry performance of firms to public policy. Federico Pablo Marti, in "An Analysis of the Effectiveness in the Long Run of the Policies Promoting the Entry of New Firms," shows how the long- and short-run performances of new firm startups vary. In "Barriers to Survival and Effectiveness of Business Incubation Centers," Inaki Pena shows how the relationship between public policy and firm performance is complex and fraught with ambiguities. While much of the literature on firm and industry dynamics has focused on identifying the entry and post-entry patterns of firms, only a few studies have been able to analyze the impact on firm performance. In "The Dynamics of Productivity: A Decomposition Approach Using Distribution Function," Jose C. Fariñas and Sonia Ruano use a micro panel data set of manufacturing firms to identy the impact of survival and exit on total factor productivity growth. They find com-

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pelling evidence that net entry contributes positively to growth in total factor productivity.

Leo van Wissen, in "A Spatial Interpretation of the density Dependence Model in Industrial Demography" extends the organizational ecology literature to develop a density dependence model and applies it to agglomeration. One of the important findings from the literature on the new economic literature is that location matters. In "The Location of New Firms and the Life cycle of Industries," M. Teresa Costa Campi, Agusti Segarra Blasco and Elisabet Viladecans Marsal identify how the location of new firms differs systematically according to industry-specific characteristics. In particular, they find that stage of the industry life cycle has a significant influence on the location of new firm startups.

Firm and industry demographics are also influenced by ownership. In "Patterns of Entry, Post-Entry Growth and Survival: A Comparison Between Domestic and Foreign Owned Firms," Jose Mata and Pedro Portugal show how the post-entry growth and survival of firms differs between domestic and foreign ownership. Locational choice also plays an important role in firm and industry demographics. In "Firm Size and Geographical Aggregation: An Empirical Appraisal in Industrial Location," Josep Maria Arauzo Carod and Miguel Manjon provide empirical evidence that the geographic decisions of firms varies systematically across firm size.

The final paper of the special issue, by Brett Gilbert et al. focuses on the implications of the dynamic role of entrepreneurship for public policy. In particular, they argue that while the traditional small business policy focused on preserving inefficient small businesses, entrepreneurship policy focuses on the dynamic process of creating new high-growth and innovative firms.

References

Ijiri, Yuji and Herbert A. Simon,1977, *Skew Distributions and Sizes of Business Firms*, Amsterdam: North Holland.

Simon, Herbert A. and Charles P. Bonini, 1958, 'The Size Distribution of Business Firms', *American Economic Review* **48**(4), 607–617.