



**LUT School of Business and Management**

**RESEARCH PLAN**

**Working Title: Contextual Factors Influencing Small and Medium-Sized Town  
Entrepreneurship: A Systematic Literature Review**

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## Table of Contents

<b>Introduction</b> .....	1
<b>Research background</b> .....	1
<b>Research questions and objectives</b> .....	3
<b>Methodology</b> .....	4
<b>Conclusion</b> .....	5
<b>References</b> .....	6

## **Introduction**

In an age of neoliberalism marked by globalisation, urban development has been defined by the involvement of actors from the private sector with the neoliberalist *modus operandi* built upon the foundations of irregular spatial development (Nel and Stevenson, 2014); often to the detriment of peripheral regions and small and medium sized towns (SMSTs). Despite a growing focus on regional and spatial contextualisation in the field of entrepreneurship, there has been little research devoted to regions that include hinterland regions, SMSTs, and declining or vulnerable places in the last two decades, as research has been drawn to larger metropolitan areas and their responses to technological change and globalization (Mayer and Knox, 2010). This neglect has led to sporadic literature focused on SMST entrepreneurship and limits understanding of the entrepreneurship phenomenon in those regions. SMSTs are not simply smaller versions of large cities; therefore, applying entrepreneurial conceptual frameworks from an urban perspective to small towns limits our understanding of the unique concepts and qualities inherent in entrepreneurialism in SMSTs, and would, in all probability, leave elements of the SMST entrepreneurial ecosystem (EE) unaccounted for (Mayer and Motoyama, 2020). Research has evidenced that small and medium enterprises (SMEs) are inherently different and not just smaller variations of larger firms (Hutchinson and Chaston, 1994). This study is based on the premise that SMSTs deserve equal consideration in entrepreneurship research as a distinct entity from larger urban areas, just as there are a plethora of studies focused on the various aspects of SMEs and larger firms. The purpose of this paper is to consolidate extant literature while laying a groundwork for further research that enriches our understanding of entrepreneurship in SMSTs.

## **Research background**

### **Urban bias**

It is posited that contemporary studies in entrepreneurship are biased toward urban and metropolitan regions, and in the past few decades, the undercurrents of entrepreneurship in SMSTs have been scarcely observed (Bell and Jayne, 2009, Mayer and Motoyama, 2020). This *urban bias* of research produces a limited understanding of entrepreneurship as a field of study, but also how entrepreneurship works in SMSTs (Mayer and Motoyama, 2020).

The implication for both research and practice is that models and theories established from studying entrepreneurship in larger urban settings are imposed on the SMST context without regard for the nuances between the two. Moreover, recent research has shown that the size of a city and its economic success is not linearly associated (Camagni et al., 2015, Frick and Rodríguez-Pose, 2018), implying that these nuanced disparities between larger urban areas and SMSTs go beyond mere city-size differences. This implies that other factors may be more crucial in deciding the success or failure of smaller urban regions. In agreement with this notion, Mayer and Motoyama (2020) conclude that success is determined not by the size of the city, but by how entrepreneurs use the small-town context, its endogenous and exogenous elements, and how the public sector plays a role and makes a difference.

### **Context matters**

Entrepreneurship research acknowledges that economic behaviour can be better understood when placed in historical, chronological, institutional, spatial, and social contexts (Welter, 2011). As a result, as Zahra and Wright (2011) point out, there is a significant need to investigate the heterogeneous elements of context. A valid argument for contributing to studies related to entrepreneurship and regional geographies is the further exploration of the institutional and spatial context. For example, the territorial context of SMEs within SMSTs could be considered to operate within a unique entrepreneurial ecosystem of its own. However, Stam and van de Ven (2021) acknowledged that regional entrepreneurship and the concept of an entrepreneurial ecosystem are both insufficiently measured as well as undertheorized.

### **Why SMST is an important context**

As a geographical unit, the lack of a clear definition of what it means to be categorized as an SMST has not helped the argument. Various definitions have been proposed, each with its origin, publishing context, and scientific socialization (Wagner and Growe, 2021). Despite this definitional limitation, the role of SMSTs in regional development remains apparent. They are considered critical for preventing urban drift and rural depopulation, as well as for a territory's balanced regional development, integration, and sustainability (European Commission, 2011) SMSTs continue to account for a substantial portion of the population in most regions of the world (Hamdouch et al., 2017, Mayer and Knox, 2010). In Europe, 38 per cent of the entire population resides in SMSTs (European Commission, 2011). Although researchers agree that it has been empirically established that SMSTs are important to regional development, the

academic community has largely ignored this context as it relates to entrepreneurship (Mayer and Motoyama, 2020).

A preliminary review of extant literature reveals contextual references distinct to SMSTs. In light of more recent global entrepreneurial studies of the small-town framework, Mayer and Knox (2010) have provided a foundation for exploring small-town development, the urban bias of research, and the challenges and opportunities SMSTs face in the wake of modernisation. They also discuss local actors' roles, innovation, and grassroots actions executed through community movements. Roundy (2017) developed a framework for the study of entrepreneurial ecosystems in SMSTs through the concept of small-town entrepreneurial ecosystems (STEE), which explores strategies that STEEs can employ to compensate for various resource limitations, compared to their urban counterparts. Delving further into STEEs, Roundy (2019) examines which kinds of strategies advance entrepreneurial activities and the community actions and logic that drive these processes.

The concept of embeddedness is also a recurring topic within the domain of SMST entrepreneurship literature. Salder and Bryson (2019) investigate how SMEs adapt and survive to evolve entrepreneurial economies and processes in SMSTs through borrowed-size effect and adaptive embeddedness. Contextualization of embeddedness is further explored through legitimacy and a *local sense of place* in the case of entrepreneurship in a depleted small town (Bensemman et al., 2021). These contextual references are distinctive to SMSTs. However, as an emerging stream of literature within entrepreneurship research, studies related to entrepreneurship in small and medium-sized towns and peripheral regions remain diasporic and without a unifying framework to guide theorisation.

### **Research questions and objectives**

Against this backdrop, any attempt to address this lacuna must begin with an exploration of what is already known to develop a better understanding of the research field, particularly regarding the elements of the SMST EE and how entrepreneurship activities unfold within this specific context. As such, the following questions guide the inquiry in this paper:

1. What is the state of research on entrepreneurship in SMSTs?
2. What key characteristics are specific to SMSTs?

3. How do SMSTs contribute to or mitigate entrepreneurship?
4. What are the outcomes of SMST entrepreneurship?

The goal of this line of investigation is to synthesize the foundational knowledge of SMST entrepreneurship by consolidating extant literature. As a growing field, we seek to identify potential missing data and research gaps, as well as suggest prospective future research directions. Furthermore, the insights gained could lead to the creation of an entrepreneurship ecosystem framework in the SMST context, which would be useful to policymakers and stakeholders looking to stimulate or support entrepreneurship in their region. We also aim to provide entrepreneurs with a broad appraisal of the unique elements they must contend with when pursuing opportunities in SMSTs.

## **Methodology**

The systematic literature review (SLR) methodology is used in this investigation. This method is well suited to research issues in a developing field or a highly focused topic in an established field (Kraus et al., 2020). To develop the research questions and establish the keywords and search strings, a preliminary literature review of the central theme – entrepreneurship in SMSTs – was undertaken first. Small and medium-sized town\* AND entrepreneur\* were the keywords used to create the search string which incorporates relevant synonyms to boost the search's efficacy and allow us to collect and examine articles from a variety of fields.

ABI-Inform/ProQuest, EBSCO/Business Source Complete, SCOPUS, and Web of Science were searched to obtain peer-reviewed academic journal articles written in English which had the keyword in their titles, abstracts, or keywords. When searching for relevant references, it is advisable to use multiple databases and the selection in this study was advised by their relevance to the Entrepreneurship research field (Bramer et al., 2017, Kraus et al., 2020). The query yielded a total of 459 papers from the four databases, which were whittled down to 259 when duplicates were removed. To further narrow down for relevance, we checked for articles that matched our keywords and focus by examining their titles and, where necessary, the abstracts and introduction sections. Then, to ensure high-quality research that is recognized by the research community, we only chose ABS ranked (Academic Journal Guide) publications. As a result of this process, 58 papers were selected for review.

The review employed a deductive and inductive approach. Based on prior readings, we pre-defined several coding categories (a deductive approach) following the research goals. The research methodology is an example in which we created pre-defined codes for conceptual, qualitative, quantitative, and mixed research. We found no preceding literature that established a set of themes, particularly in terms of concepts and major themes, therefore we let them emerge from the articles during coding (an inductive approach). Two researchers reviewed and coded all 58 papers separately before discussing their coding and resolving any discrepancies. The grounded theory method was used for theme generation and conceptual analysis, utilizing open coding to construct the initial set of concepts, then using axial coding to combine, restructure, and build additional nodes and sub-nodes as needed and, finally, integrating and refining the categories that were found in selective coding (Wolfswinkel et al., 2013). These broad categories offered a structure for the synthesis and presentation of the resulting themes, research gaps and future research avenues. The review and writing process leveraged NVivo 12 Plus's coding, annotation, memo, query, and visualisation tools.

## **Conclusion**

Ultimately, just as small firms are not merely smaller versions of big firms, SMSTs are not miniature versions of large cities and towns. They are a unique and dynamic milieu. It is therefore arguable that academic concentration on entrepreneurship in the SMST context is highly significant and necessary. This paper takes advantage of this research gap and explores the realm of entrepreneurship devoted to this phenomenon. Whilst this paper is not meant to serve as a report in which to construct regional policies and agendas, it is, however, an opportunity to hone a deeper understanding of the distinct characteristics inherent in SMSTs which allow for the outputs of entrepreneurial activity and regional economic growth. Additionally, by exploring the elements and features that comprise the EE within an SMST environment, our goal is to lay the foundations for establishing definitions, descriptions and indicators which contribute to developing an SMST EE theoretical and conceptual framework.

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