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Knowledge Spillovers, Entrepreneurial Ecosystems and the Geography of High Growth Firms Redux

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This study investigates why some UK regions consistently generate more high-growth firms (HGFs) than others, focusing on the role of knowledge spillovers and entrepreneurial ecosystems (EEs). Building on and critically replicating the work of Fotopoulos (2023), the research addresses key methodological concerns around autocorrelation introduced by overlapping growth periods, offering more robust longitudinal evidence from 2009 to 2021.

HGFs are recognised as disproportionate contributors to job creation and regional productivity. However, the persistence of HGF incidence at the regional level—and its drivers—remains underexplored. Using refined econometric methods and granular UK Local Authority District (LAD) data, this study confirms the persistence of HGF incidence across regions. It finds that certain EE elements—particularly human capital, the prevalence of business and professional services, and creative industries—are consistently associated with higher HGF rates. In contrast, evidence for the influence of knowledge spillovers is mixed, with variables such as related variety and vertical relatedness showing inconsistent effects depending on the model specification and methodological adjustments.

The research advances three key contributions: (1) it provides new evidence on the regional determinants of HGF incidence and its persistence; (2) it advances the application of the entrepreneurial ecosystem framework by testing its relevance in a longitudinal regional context, addressing the “broken clock” critique (Coad and Srhoj, 2023); and (3) it contributes to methodological transparency by replicating and extending a prior influential study while correcting for potential estimation biases.

Policy implications are significant. The findings suggest that instead of attempting to “pick winners” at the firm level, regional strategies should focus on strengthening foundational ecosystem elements—especially talent development and sectoral composition. Moreover, indicators such as applications for Innovate UK grants and the presence of R&D personnel emerge as strong predictors of HGF incidence, underscoring the importance of innovation capacity. Overall, the study highlights the need for a deeper, context-sensitive understanding of entrepreneurial ecosystems to inform effective regional growth policy.