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## **Editorial: Cross-border entrepreneurship: a multilevel perspective**

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## **1 Introduction**

Cross-border regions have an impact on the entrepreneurial capability of businesses and people in these regions. The contribution of cross-border entrepreneurship has attracted more attention due to the emphasis on business creation and the role of regional innovation in the global economy. This special journal issue focuses on the role of cross-border entrepreneurship particularly in the Iberian Peninsula. Iberia is interesting as it encompasses both Portugal and Spain, who also have previous colonies scattered around the world. This means that cross-border entrepreneurship in Iberia is not just confined to Portugal and Spain or Gibraltar (the British held region in Iberia) but also to South America, Africa and Asia. This brings a more complex way to understand cross-border entrepreneurship, which is the reason for this special issue. The papers included focus on a range of important issues related to cross-border entrepreneurship from innovation, learning to technology transfer. Suggestions for future research about cross-border entrepreneurship are given that highlight the dynamic and complex nature of this interesting area of research.

## **2 Cross-border entrepreneurship**

Several streams of different thoughts have proposed theories about regional economies and explained how regional development incorporates economic, social, institutional and cultural characteristics that make for unique capabilities to promote and foster the regional development (Cook et al., 1997; Maskell et al., 1998), interdependent transactions (Storper, 1997), or even the construction of regional infrastructure capable of facilitating mutual learning between regional actors (Florida, 1995). A common point that these approaches share is the importance given to learning, innovation and entrepreneurship in the economic development side of relational exchanges between the regional actors as a means for advancement and development (Rutten, 2003). Entrepreneurship in border regions takes place across international borders in order to increase social and economic activity. Cross-border collaboration provides opportunities for regional development and social wealth creation (Dana et al., 2014). Entrepreneurial activity can be informal or formal in nature depending on the context and type of trading involved.

Due to increased internationalisation there is now more entrepreneurship amongst border regions, particularly in terms of collaboration and participation (Ratten, 2012). Some cross-border activity has led to partnerships that involve arrangements in sharing economic, social and environmental resources in order to spur innovation (Ratten et al., 2007). Over the past 20 years, a number of cross-border cooperation structures in Europe has exploded due to the European Union's political and financial support to encourage cohesion and the development of peripheral regions (Nelles and Durand, 2014). Accordingly, these policies are part of processes of border removal and political reorganising that have intensely affected cross-border areas, creating new institutional territories and political structures.

Increasingly, given the knowledge economy and digital age, more cross-border entrepreneurship is in the form of knowledge and intellectual capital. In this introduction to the special issue, we suggest that cross-border entrepreneurship differs based on geographic location and government policy. We also explore the increasing importance

of cross-border entrepreneurship in the knowledge economy given that more regions particularly those in Iberia are focusing on digital technologies and knowledge-based businesses for their continued economic success.

Smallbone and Welter (2012, p.95) define cross-border entrepreneurship as “entrepreneurial activity across international borders, which typically involves some form of cooperation or partnership”. Cross-border regions are popular in Europe and have been referred to as Euroregions and working communities (Perkmann, 2007). Entrepreneurship across borders involves movement of business activity in both a financial and spatial manner. To achieve successful cross-border entrepreneurship there needs to be coordination between business, councils, government, policy planners and regional development authorities (Ratten and Ferreira, 2017). In Europe, with the increased freedom of travel, cross-border entrepreneurship is on the rise particularly for countries in close geographic proximity such as the Iberian countries of Portugal and Spain.

Entrepreneurship in cross-border regions includes venture financing from one region to another and the transferring of information to facilitate business creation. Often cross-border regions utilise similar resources in the form of culture, history and landscape to encourage business activities (Weidenfeld, 2013). The increase in cross-border entrepreneurship has resulted from more interdependencies between regions as a result of mobility and business activities (Morrison et al., 2004). In addition, there have been more regional alliances and networks leading to more exchange of information. This has resulted in cross-border linkages being an essential precursor to regional innovation systems (Williams and Shaw, 2011). Cross-borders are recipients of innovation due to the way people in these regions share ideas and thoughts about regional development.

Within cross-border entrepreneurship there are also frontier economic regions that are catapulting the development of these areas. Transfrontier economic areas include “labour mobility, student exchanges, co-patenting and co-publications, trade relations, formal and informal networking in the field of technology and innovation” [Weidenfeld, (2013), p.201]. These transfrontier economic areas are a form of cross-border relationships that act as a way to facilitate knowledge transfer and mutual learning amongst a group of people. This encourages cross-border mobility in terms of employment and job creation, which is important to entrepreneurship.

Perkmann (2007) suggests that there are two main types of integration relevant for cross-border entrepreneurship: market and policy integration. Market driven integration is “based on the proliferation and/or reactivation of social or economic relationships” [Perkmann, (2007), p.862]. This is important in Iberia as both Portugal and Spain are dependent on each other for some forms of economic enterprise. In the past, Portugal and Spain were rivals and this competitiveness still exists but in a different form. The age of colonialism has since passed and both countries are more reliant now on cross-border trade. Coopetition in which regions and firms cooperate but compete is a popular form of cross-border entrepreneurship in Iberia. This has increased with the interest in open innovation and mutual learning, which are linked to the concept of coopetition for cross-border entrepreneurs.

The main factors influencing market driven integration between Portugal and Spain are the factor costs such as land, labour and capital. The north of Portugal is more industrialised than other parts of the country, which has influenced more economic cooperation with Spain. However, in the south of Portugal particularly in the Algarve there is more cross-border tourism initiatives. This has led to cross-border

entrepreneurship being location specific and dependent on government policy for the linkage between business and industry.

The market driven integration in Iberia is the result more of the type of industry rather than wage differences between countries. This is in comparison with the USA and Mexico cross-border initiatives that are focused on the cheaper hourly wage rates of workers in Mexico. Policy driven integration is “based on the building of cooperative relationships between public and other bodies that share certain interests, such as coping with environmental interdependencies or creating cross-border economic spaces” [Perkmann, (2007), p.862]. Much of the policy driven integration in Iberia comes from the geographic and economic closeness of Portugal and Spain. Although Spain has a larger population, Portugal has concentrated industry segments that encourage collaboration with their neighbouring country. Much of the policy for cross-border entrepreneurship comes from the European Union initiatives particularly with regard to innovation and the knowledge economy.

Weidenfeld (2013, p.191) states “in the age of globalization and emerging supranationalism, border policies tend to support trade, easier passage, cooperation and liberalization of economic activities”. This is due to there has been an increased tendency back towards nationalism following the UK’s decision to exit the European Union. This has impacted cross-border entrepreneurship as there is a growing need between countries in close proximity particularly those in Europe to collaborate. The aim of this special issue is to understand how cross-border entrepreneurship can provide a better regional development and encourage more informed policy development concerning several important issues related this kind of entrepreneurship.

### **3 Overview of papers**

The first paper by M. Augusto and P. Torres is titled ‘The path to brand loyalty in the beer market’. The food and drink market is important in cross-border regions and there is increased emphasis on craft beers and culturally-based products. The second paper by C. Marques, C. Marques, C. Leal and A. Cardoso is titled ‘Knowledge, innovation, internationalisation and performance: insights from the Portuguese footwear industry’. The footwear industry is especially relevant for cross-border entrepreneurship due to the large global market for footwear. The Portuguese footwear industry is renowned for its high quality leather shoes and has resulted in more interest in the countries fashion industry. The third paper by J. Leal-Rodriguez, G. Albort-Morant, A. Leal-Rodriguez and Ariza-Montes is titled ‘Linking internal mobility with work stress and job involvement: a comparative study between Spanish and Dutch employees’. This paper focuses on cross-border issues from a human capital perspective rather than a geographic setting. The fourth paper by V. Braga and T. Queirós is titled ‘SMEs international markets entry: testing the theory with Portuguese evidence’. This paper highlights the role Iberia has in encouraging cross-border entrepreneurship in Europe. This is important given the recent emphasis on ensuring the European Union survives and internationalises. The fifth paper by A. Braga, C. Marques and Z. Serrasqueiro is titled ‘KIBS’ key dimensions: a qualitative study on innovation, knowledge, networks, location and internationalisation’. This paper emphasises the role of knowledge and networks as an important form of social capital in cross-border regions.

#### 4 Future research directions

Despite the importance of cross-border entrepreneurship particularly in the Iberian region of Europe there is a lack of research on this topic. There has been a general interest in cross-border entrepreneurship but not enough research on its intricacies including how cultural and historical elements affects its development. Hence, there is ample potential for more research into cross-border entrepreneurship particularly in terms of how the previous colonies of Iberia are contributing to the economic development of this region. For example, Brazil whilst having a strong economic growth in the past decade still is considered very much a region of Portugal despite the countries independence. This means that cross-border entrepreneurship will be dependent on geographic links but also historical associations that influence trade. In addition, Spain with its interest in Argentina has also played a role in the cross-border entrepreneurship that occurs in South America. Whilst most research on cross-border entrepreneurship has focused on Europe, it would be interesting to add the additional cultural connections to other countries that influence trade.

Another fruitful area of research interest would be to focus on how European Union policy is helping or hindering cross-border entrepreneurship. There has been a convergence towards standardisation of products and services across Europe but this has changed in recent times as people want more culturally-based recognition in labelling. This has led to the resurgence of national interest towards certain foods that have a geographic connection to a region. This influences trade but also the development of cooperative relationships between businesses and governments. Therefore, potential research questions could be: How is cultural entrepreneurship tied to cross-border economic trade? What is the role of government policy initiatives in facilitating cross-border entrepreneurship? What can institutional evolution patterns contribute to the understanding of governance models in other cross-border regions? These are some of the questions that deserve further research and future development.

#### 5 Conclusions

This special issue focuses on the importance of cross-border entrepreneurship in the global economy. It is hoped that this paper discussing the papers in the special issue and more broadly the role of cross-border entrepreneurship will further stimulate debate. As stated in this paper, more research is needed on cross-border entrepreneurship to understand its impact particularly in countries that form part of Iberia (Portugal and Spain) and their colonies in terms of their coepetition. Indeed, cross-border entrepreneurship offers potential benefits for regions as well as for individual enterprises (Smallbone and Welter, 2012). However, establishing a competitive and coherent cross-border region is ambitious and multifaceted and requires policy coordination at multiple levels and across institutionally diverse territories.

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