

Does the place you grew up in shape your future as an entrepreneur? Evidence from Italy

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Entrepreneurs, especially successful ones, have always been a mystery, if not an envy, for many of us bystanders. We often surrender, perhaps conveniently so, to the argument that these individuals possess talents that we don't—innate abilities unattainable through formal or informal learning. That this view has taken hold is not surprising. The business empires of Microsoft and Apple—two obvious examples—were built by college dropouts, and many other enterprises have spawned and thrived under the watch of people with little managerial training.

Notwithstanding anecdotal support for the innate nature of entrepreneurship, economists have started to afford greater importance to nurture. In a recent article titled "[Learning entrepreneurship from other entrepreneurs?](#)" (National Bureau of Economic Research, Working Paper 21775, December 2015), Luigi Guiso, Luigi Pistaferri, and Fabiano Schivardi report that adolescents growing up in areas with high concentration of firms are more likely to become entrepreneurs and to be successful at their jobs. The authors see geographical firm density as a learning opportunity: "for a young individual growing up in Silicon Valley," they contend, "it should be easier than elsewhere to learn how to set up and run a firm."

To test this hypothesis, Guiso et al. rely on two complementary data sources from Italy—the Bank of Italy Survey of Households Income and Wealth, which provides demographic and income data for a representative sample of Italian households, and a sample of entrepreneurs and their firms from a survey conducted by the Italian National Association of Insurance Companies (ANIA). Data from ANIA are supplemented with measures that capture various managerial skills and help isolate learned from innate abilities. Firm concentration is recorded at the provincial level, and variation in outcomes—likelihood of becoming an entrepreneur and entrepreneurial success—is examined both across Italian provinces and over time within a province.

Consistent with theory, variation in outcomes does exist, and it is sizable. The authors' regression analysis indicates that an increase of one standard deviation in firm density in one's location at "learning age" (age 18, according to the study) is associated with an 8-percent increase both in the likelihood of sorting into entrepreneurial occupation and in personal income. The businesses of individuals exposed to this environmental channel also stand out in terms of performance, boasting significantly higher total and per-worker productivity. These results remain robust in the presence of various statistical controls, including local availability of capital (which could affect firm concentration) and coming from a household with entrepreneurial parents.

Guiso et al. are careful not to overstate their case, however, and while they highlight the importance of learning in one's formative years, they do not attempt to underplay the role of innate abilities. Indeed, marrying measures of skill with ANIA data shows that the effect of firm density during adolescence is largely limited to the cultivation of better managerial skills and practices. The authors surmise that other personal traits normally viewed as

preconditions for successful entrepreneurship—traits such as greater risk tolerance and hunch for business and product innovation—likely remain in the domain of the innate.