



Determinants of business attraction: a comprehensive review and analysis

Determinantes de la atracción de empresas: revisión y análisis exhaustivos


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Abstract

Business attraction is a phenomenon that involves concentration and agglomeration processes, essential for the socio-economic development of regions and territories. The academic community has focused its efforts on developing tools and strategies to enhance this process at local, regional, and national levels. The objective of this paper is to present a literature review related to the processes of territorial business attraction, its key elements, and most relevant dimensions. This article provides literature review based on 73 relevant studies sourced from recognized databases like SCOPUS and Google Scholar, mainly focusing on research from the last two decades. A significant gap is highlighted in studies centered on the Latin American context and in specific literature reviews on business attraction. From this analysis, three essential elements arise that determine a territory's ability to attract businesses: the business ecosystem, strong institutional structures, and the transition towards smart cities that bolster business attraction. Despite the vast literature in economic geography and territorial development, there is a clear need for more research focused on developing regions. This presents an opportunity for academia to identify, fill these gaps and propose strategies that result in increased competitiveness and territorial productivity, benefiting both the business sector and public policy makers.

Keywords: Agglomeration; business ecosystem; business concentration; smart cities; entrepreneurship.

Resumen

La atracción empresarial es un fenómeno que involucra procesos de concentración y aglomeración, esenciales para el desarrollo socioeconómico de regiones y territorios. La comunidad académica ha enfocado sus esfuerzos en desarrollar herramientas y estrategias para potenciar este proceso a niveles local, regional y nacional. El objetivo de este documento es presentar una revisión de la literatura relacionada con los procesos de atracción empresarial territorial, sus determinantes y dimensiones más relevantes. Este artículo proporciona una revisión de la literatura basada en 73 estudios relevantes obtenidos de bases de datos reconocidas como SCOPUS y Google Académico, centrándose principalmente en investigaciones de las últimas dos décadas. Se destaca una brecha significativa en estudios centrados en el contexto latinoamericano y en revisiones de la literatura específicas sobre atracción empresarial. De este análisis, surgen tres elementos esenciales que determinan la capacidad de un territorio para atraer empresas: el ecosistema empresarial, estructuras institucionales fuertes y la transición hacia ciudades inteligentes que refuerzan la atracción empresarial. A pesar de la vasta literatura en geografía económica y desarrollo territorial, existe una clara necesidad de más investigación enfocada en regiones en desarrollo. Esto presenta una oportunidad para la academia de identificar y llenar estas brechas y proponer estrategias que resulten en un aumento de la competitividad y productividad territorial, beneficiando tanto al sector empresarial como a los responsables de políticas públicas.

Palabras clave: Aglomeración; ecosistema empresarial; concentración empresarial; ciudades inteligentes; emprendimiento.

INTRODUCTION

In the processes of territorial business attraction, institutionality is considered fundamental for constructing economic, political, cultural, and social relations and interactions within a business ecosystem (Porter, 2000 and North, 1990). This viewpoint suggests that any effort to foster business attraction should begin with an examination and potential reform of the territorial institutional infrastructure to ensure alignment with strategic goals aimed at enhancing business creation, competitiveness, productivity, growth, and development rates.

A territory's ability to attract, absorb, and sustain economic activities through new company formation is crucial. Generating employment, income, and establishing a consistent, clear, and transparent institutional framework is essential for developing a business ecosystem conducive to entrepreneurship, investment generation, and innovation promotion (Sternberg, 2007; Guerrero et al., 2010; Petrakos et al., 2011; Fritsch and Schindele, 2011; Ivonchyk, 2022; Shuai, 2015).

The capability to attract businesses involves responding swiftly to environmental threats and opportunities, enabling the territory to withstand competition and market demands [9]. Consequently, the literature in this field has extensively focused on identifying and conceptualizing factors that influence and enhance the capacity for economic unit creation worldwide, aiding in the development of a reference framework for public policy formulation aimed at territorial development (Elhasbi, 2015; Moore, 1993; Acs et al., 2014; Dyck and Ovaska, 2011 and Cunningham et al., 2019).

Despite the vast literature on economic development, including theoretical discussions, literature reviews, and case studies, there has been a scarcity of articles specifically addressing business attraction, particularly in the Latin American context. For example, Calma and Suder (2020) explores the main topics of international business (IB) covered by ten IB-centric journals up to 2020, presenting over 300 years of combined publication history. Ng, R et al., (2022) conduct a validation of sectoral bets in a Latin American city through an analysis of business concentration indicators. This study provides an in-depth understanding of the current IB landscape, highlighting the importance of future IB research and identifying prevalent emerging themes, with a focus on attracting foreign businesses.

Another study, Gilles and Baquero (2016), examines concepts from economic geography, urban economics, and value chain management, offering a new conceptual and capability framework for governments to devise business attraction and retention strategies. The other articles found with the "business attraction" search criterion in the Scopus database were mainly applications or case studies, such as those by (Ivonchyk, 2022; Hodge et al., 2003 and Rephann, 2022), among others. This research indicates that while there are studies on the key elements of business attraction, they tend to focus on specific themes, and a comprehensive

literature review specifically targeting the key elements of business attraction was not found.

This paper aims to provide a literature review on the processes of territorial business attraction, its determinants, and key dimensions, focusing on research published within the last 20 years and considering the geographical origin of the studies to understand regional impacts on business attraction concepts globally. The findings highlight the evolving nature of business attraction, emphasizing crucial factors that influence a region or territory's ability to draw companies and investors. It identifies emerging trends, indicating shifts in investment preferences and strategic corporate approaches.

The study offers an overview of business attraction and points out significant research gaps, especially concerning Latin America. It recommends future research to explore these gaps and examine the specific challenges and opportunities Latin American regions encounter in attracting businesses, aiming for strategies that boost competitiveness and economic growth.

The article is structured into three main sections: The first discusses the entrepreneurial ecosystem, from conceptualization to action key elements like digital infrastructure, public policies for agglomeration economies, and more. The second section examines the role of institutionality in attracting companies, analyzing education and culture's cross-sectional roles. It argues for institutional infrastructure's role in creating trust and stability, the promotion of entrepreneurial education by higher education institutions, and the collective culture's importance in formulating pro-entrepreneurship public policies. The third section explores the Smart City concept as a condition for business attraction through innovation, job and income generation, and the promotion of social and economic development via democratic use of ICTs. The paper concludes with a summary of findings and suggestions for future research.

METHODOLOGY

A systematic literature review aimed at identifying key elements and dimensions of territorial business attraction was conducted using Scopus and Google Scholar databases. Search terms included "business attraction," "business ecosystem," and "business concentration," focusing on studies published within the last 20 years and considering the geographical origin of the research. The review included articles in English and Spanish, excluding those with incomplete bibliographies or in other languages. Both empirical and conceptual articles, along with relevant case studies, were incorporated to enrich the literature review.

Initially, abstracts of articles with bibliographic records were collected in Excel, and each was assigned a relevance rating based on the objective of this review. Articles that engaged in extensive discussions were excluded. That is, even if they

discussed topics like business ecosystems, agglomeration, and local development, their discussions or contributions were deemed too broad in relation to business concentration. Business concentration is a concept that resembles the ideas developed by **Porter (2000)** in his theory of clusters or industrial agglomerations. In the context of this article, it refers to a significant number of businesses, not necessarily from the same industry, located in a specific region.

Subsequently, a total of 73 articles were selected, aiming for a comprehensive literature review. While there is an abundant body of literature on regional and local development, the concept of “business attraction” is a far more specific topic. Up to that point, only 37 documents were found in the SCOPUS database meeting this criterion. Thus, the scope was broadened to include related concepts such as business ecosystems and concentration. After reviewing the selected articles, the most relevant dimensions regarding the business attraction process were identified. Common elements were pinpointed, additional criteria deemed significant were justified, and a consensus was reached regarding the key elements of business attraction.

In conclusion, three major factors or key elements for business attraction were identified: the business ecosystem, the institutional framework, education and culture, and the concept of smart cities. An analysis of these key elements was conducted, relevant factors within each determinant were identified, and a summary graph were created detailing the principal contributions from the reviewed articles, providing valuable insights for readers

BUSINESS ECOSYSTEM

Introduced by **James F. Moore (1993)**, the concept of the business ecosystem, essential for grasping business attraction, describes an economic community created by the interactions among organizations, individuals, suppliers, competitors, and institutions. Drawing from Roy Clapham’s 1930 biological ecosystem definition (**Willis, 1997**), it underlines the need for a systemic approach and the integration of various dimensions such as institutionality, education, culture, and technology for enduring change. Moore’s definition also emphasizes the mix of tangible and intangible elements vital for fostering company growth.

This approach necessitates recognizing the extensive interdependence within these ecosystems and incorporating resources, labor, infrastructure, governance, and policies for business clusters to enhance business attractiveness and economic development. For long-term success in business attraction strategies, local governments and policymakers are urged to integrate these elements, considering the varied contexts and realities that impact business attraction across different sectors and regions.

Research identifies a broad spectrum of actors and institutions that foster both formal and informal entrepreneurial activities, highlighting the role of improving the business environment in creating new businesses (Acs et al., 2014; Dyck & Ovaska, 2011). Dyck and Ovaska's analysis, based on new company registrations from the World Bank and the International Finance Corporation across 64 countries, including several from Latin America, suggests that even minor enhancements in the business environment can significantly impact new company registrations.

Cunningham et al., (2019) stress the importance of individual dynamics and effective governance within the entrepreneurial ecosystem, advocating for a governance system that incentivizes collaborative participation and value creation. This perspective is supported by Nicotra et al., (2018) and Martínez et al., (2021), who emphasize the critical role of the business environment and digital transformation in the sustainable growth of companies, recommending investments in digital tools for improved employee management and satisfaction.

Likewise, Klapper et al., (2010), reach a similar result, placing their results in the first and fourth factors. With the intention of creating a reference framework for the formulation of government policies from the World Bank, the authors obtain as a result an association between the increase in entrepreneurial activity and the ease of starting a business and its better governance; in this sense a simple, cost-effective and efficient registration process is a key factor to promote greater entrepreneurial activity.

As an important contribution to the measurement of the business environment in Latin America and in relation to the first and sixth factors, Vokoun and Daza (2017) developed an index with the use of appropriate and highly available indicators for the countries of the subcontinent. The purpose of this new index is the identification of barriers, with the objective of proposing reforms to combat the limitations found, and thus, contribute to the improvement of the business environment in Latin America.

Regarding the second factor of security and infrastructure Rogerson and Rogerson (2010) analyzed the local environments in Johannesburg with the intention of obtaining ideas on how to improve the business environment of the city from the point of view of foreign investors. In this case the main threats to investing in this city are crime, safety, and security; and secondly, infrastructure. Lee et al., (2014) state that foreign direct investment contributes positively to the creation of new businesses as it generates both tangible and intangible opportunities to be exploited by potential entrepreneurs in a specific region.

Regarding the availability of ICTs, Barreneche (2014) argue that this factor is key in promoting entrepreneurship and has the ability to partially overcome other shortcomings present in the entrepreneurial ecosystem such as difficulty in accessing credit, education, and even competition abroad. Hsu et al., (2021) propose a model of effective relationships through a regional green financial system that

mainly supports SMEs using insourcing and outsourcing technologies to promote the development of clean processes.

Similarly, regarding the fourth factor we find that for other regions of the world, [Roman et al., \(2018\)](#) carried out longitudinal research across 18 countries, both developed and developing within the European Union, aiming to pinpoint the crucial key elements affecting new business creation. They analyzed four types of factors: macroeconomic, demographic, individual, and those pertaining to the business environment. Their findings confirm that several factors influence the intent and decision to initiate a company. However, the most significant determinant of attractiveness was found to be related to the business environment, specifically the costs involved in the procedures for registering and starting a new company.

For their part, the results of [Wanga et al., \(2018\)](#) are in the fifth factor of analysis. They analyze in clusters the importance of addressing collaborative dynamics, as the spatial distribution of an industry is important because the competitiveness of the region is affected not only by local agglomeration externalities. The authors argue that proximity to large agglomeration externalities increases the ability of a location to create new firms when an industry grows but decreases the ability of the location to sustain existing firms, as well as the generation of new firms when the industry declines. In this sense, the concentration of multiple companies in a relatively small area helps to reduce costs, thus, increasing the interest of companies to increasingly develop their products ([Oleinik and Zakharova, 2019](#)).

The work performed by [Gupta et al., \(2023\)](#) relates to the fifth analysis factor. The article describes how multinational companies in the pharmaceutical industry implement different business strategies at the global level, such as mergers, alliances, and acquisitions, for integrated diversification of new or positioned products. These strategies generate competitive advantages, developing integrative business models implemented in selected geographies.

In addition to, [Audretsch et al., \(2016\)](#) claim that public policies that subsidize cluster formation increase entrepreneurial activity, but only partially. The results of their research point out that the effect of government subsidy is significantly low compared to the impact of other factors, such as, for example, research-intensive universities, which is related to factor six. Opposite to this, other authors perceive territorial agglomeration as a problem due to the fact that it increases inequalities between different regions of a country, therefore, they suggest the promotion of deconcentration of economic activities, which, they claim, could be achieved if a pronounced reduction of costs of intra-regional interactions, improvement of transport and infrastructure in the region is achieved ([Kolomak and Trubekhinnaa, 2014](#)).

[Zheng et al., \(2022\)](#) and [Alvira and Palacios \(2021\)](#) highlight the potential of innovative business models in agriculture and the positive impact of financial sector intensity on business creation and economic growth in Colombia, respectively, emphasizing the importance of overcoming resource and institutional constraints

and identifying regional attractiveness determinants. Similarly, [Barreneche \(2014\)](#) explores the factors influencing business creation in European cities, underscoring the significance of an ecosystemic approach that includes institutional infrastructure, efficient regulations, and the role of ICT in promoting entrepreneurship and sustainability. Both sets of research advocate for tailored strategies to enhance business growth and attract investment, considering the unique demographic, geographic, institutional, and cultural contexts of each region.

Although the literature on this topic in Latin America is limited, there are some noteworthy studies. [Arenal et al., \(2024\)](#) highlight the importance of entrepreneurial ecosystems in the interaction between startups, regulations, and culture, fostering innovation and competitiveness. The [GEIAL Report \(2024\)](#) analyzes business ecosystems in Latin America, emphasizing their diversity and the need for adapted strategies, highlighting the role of infrastructure and human capital in business attraction. Meanwhile, [Marín and Cuartas \(2022\)](#) stress that these ecosystems include institutional and sociocultural networks, which are essential for designing effective business attraction strategies. Overall, these studies demonstrate that business attraction is part of a dynamic ecosystem with multiple interconnected actors.

Finally, some of the authors consulted in this section agreed on the importance of promoting public policies aimed at creating clusters to increase competitiveness and business creation among the different sectors of the territory. The above is summarized in [Figure 1](#) below.

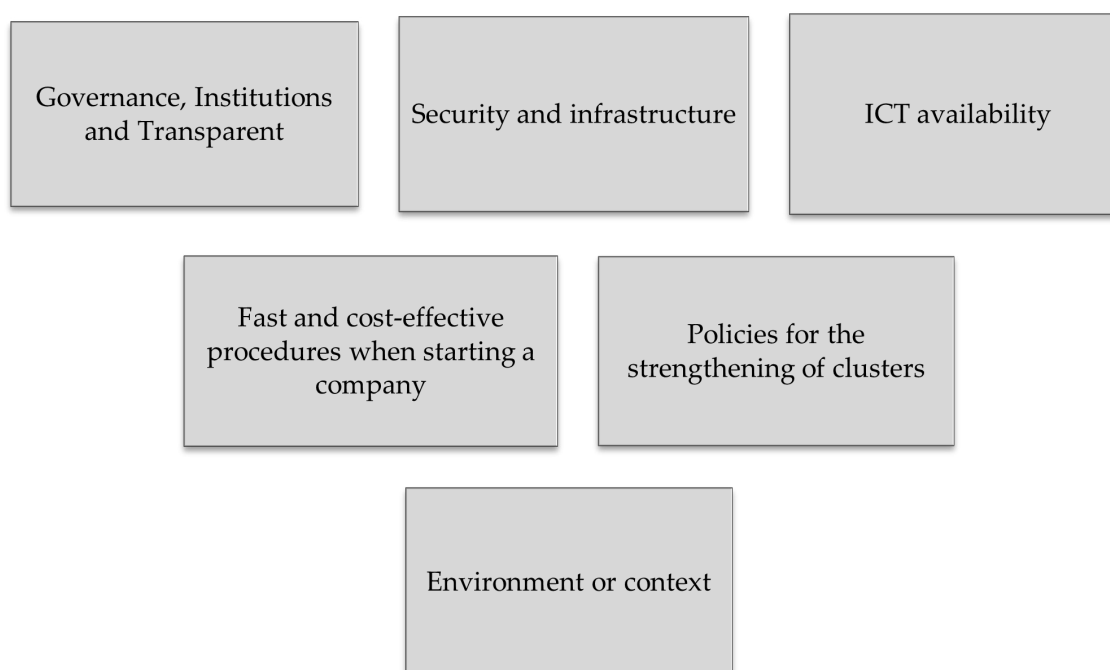


Figure 1. Business ecosystem factors identified in the literature review.
 Source: Authors' elaboration (2024)

INSTITUTIONAL FRAMEWORK, EDUCATION AND CULTURE

Institutional Framework

Institutionality within a business ecosystem encompasses both formal and informal rules, including laws and commercial customs, which are crucial for regulating business activities and shaping attitudes towards law, corruption, and transparency (North, 1990). This institutional framework is foundational for creating an environment conducive to the development, sustainability, and growth of enterprises. Research indicates that the formation and exploitation of entrepreneurial opportunities are significantly influenced by these institutional conditions, with weak regulatory institutions in emerging economies affecting venture investment decisions (Yan et al., 2019 and Bruton et al., 2009). Economies with well-established institutional frameworks and efficiently functioning markets are associated with higher rates of innovation and entrepreneurship (Alia et al., 2020). Consequently, there is a call for state-funded institutional infrastructure that provides comprehensive business support to entrepreneurs across various regions, emphasizing the need for a national system that ensures regional accessibility and support (Sivaev, 2013).

In the same way, Menget al., (2023) identified the importance of an entrepreneurship policy as a significant influencing factor in the decision of university graduates to start their businesses. Furthermore, this government considers that imperative support must accompany protection through subsidies, education programs, and tax benefits.

In the same vein, Chowdhury et al., (2019) argue that institutions play an important role for both the quantity and quality of entrepreneurship, however, not all of them show the same degree of relevance for the generation of quality entrepreneurship, especially in developing countries. The authors argue that an increase in the quality of institutions has a more significant impact on the quantity and quality of entrepreneurship in developing countries than in developed countries.

Carayannis et al., (2016) and Young et al., (2018) both highlight the nuanced role of institutions in entrepreneurial activity. Carayannis et al., (2016) argue that institutions fostering diverse information flows positively affect new firms' survival and regional entrepreneurship's sustainability. In contrast, those promoting homogeneity hinder new firm formation. Young et al., (2018) further explore how institutional environments characterized by risk and uncertainty shape entrepreneurial opportunities. They find that institutions emphasizing stability through practices like property protection and tax burden management tend to support existing types of business activities, leading to imitation. Conversely, institutions that offer greater operational flexibility and ease in acquiring capital and managing business activities encourage innovation.

Fuentelsaz et al., (2015), reach a similar conclusion, in their research they find that the improvement of formal institutions, specifically through property protection,

entrepreneurial freedom, fiscal freedom, freedom of contracting, financial capital and education capital, generate a positive impact on opportunity entrepreneurship, motivated by the opportunities and favorable conditions present in the environment, on the other hand, they have a negative effect on necessity entrepreneurship as it is accessed due to the lack of better job opportunities.

According to the analysis of the previous review, a good institutional framework leads to optimal environmental conditions for the emergence, development, and growth of companies, as well as the strengthening of the entrepreneurial ecosystem in the regions for greater business attractiveness.

Education and Culture

Education can be considered as a transversal axis in any transformation and development process, whether technological, social, or economic. In terms of territorial development processes such as business attractiveness, education generates a greater amount of qualified labor for companies or in the creation of new entrepreneurs. More educated societies have the capacity to produce a more competitive and innovative industry, thanks to advances generated from research and development, as well as a greater number of enterprises based on the knowledge economy.

Universities have historically been key in generating knowledge and developing entrepreneurial skills, essential for future entrepreneurs' business performance (Marques, 2016; Ogbari et al., 2018). However, challenges like insufficient support hinder the effectiveness of entrepreneurship programs, with many institutions lacking comprehensive education in their curricula (Kiyani, 2017). The significance of entrepreneurship education lies in the skills, experience, and knowledge it provides for successful ventures, emphasizing the need for strong connections between higher education and the business sector for effective entrepreneurship promotion (García et al., 2017).

Despite the potential of university training programs to provide essential tools and skills, they cannot alone create an entrepreneurship culture without overcoming national and local barriers (Ahmed et al., 2020). Alaref et al., (2020) further explored the medium-term impact of entrepreneurship education on self-employability among Tunisian graduates, finding that the effects were mostly short-lived, with a lack of immersion in business networks and access to credit being significant obstacles. This suggests the need for programs to include private sector interaction and financing support to ensure lasting outcomes.

Another issue related to culture as a determinant of entrepreneurial attractiveness, is the study of the formulation of public policy aimed at boosting it, Oppen & Andersson (2019), conclude that any government effort that seeks the promotion of entrepreneurial creation in the long term should address within its strategy local cultural norms. Based on the case study researched in China on

the stability of entrepreneurial culture over time, it is evident that the regional entrepreneurial culture has been stable for decades. This suggests that policies that promote the creation of new businesses will have complexity to achieve if there is no entrepreneurial culture promoted and developed over time.

In another sense of cultural, [Yan et al., \(2019\)](#) propose an integrated management framework based on a cultural ecosystem and open innovation system for supporting business strategies to improve project operations, especially from the ongoing management and management of infrastructure projects in international cities. The authors propose a Cultural Ecosystem Service Innovation (CESI) Framework. This model highlights the importance of shared values between government, public, and private enterprises.

[Schmutzler et al., \(2019\)](#), also approached the subject from a sociocultural point of view, they studied how the environment can affect the relationship between personal capabilities for entrepreneurship and the intention to do so. The study focuses on the Individualism-Collectivism dimensions of countries and the presence of nascent entrepreneurs as moderators of this relationship.

Like [Meng et al., \(2023\)](#) and [Schmutzler et al., \(2019\)](#) argue that entrepreneurship cannot be understood, much less promoted, without understanding the contextual dimensions that interact to promote or constrain entrepreneurial intention. It is found that knowing an entrepreneur increases the intentions to start a business, although for people with entrepreneurial capabilities, this effect is much smaller if they are within a context of individualism, on the other hand, in a collectivist institutionality both key elements are complementary.

Finally, at the Latin American level, we find studies that highlight the role of the institutional framework, education, and culture in business attraction. The [GEIAL Report \(2024\)](#) emphasizes the importance of governance, entrepreneurial education, and public policies in creating sustainable business ecosystems. [Aguilar & Higuera \(2019\)](#) underscore that innovation efficiency depends on strong institutions and access to knowledge. [Pereira et al., \(2020\)](#) show that the interaction between education, institutions, and technology helps reduce development gaps. Together, these studies reinforce the need to strengthen these factors to attract businesses and foster economic growth.

The institutional infrastructure is identified as the foundational base of the entrepreneurial ecosystem, significantly influencing a territory's attractiveness. Consensus among the authors highlights the critical need for establishing robust, transparent institutions with streamlined, effective regulations that facilitate rather than hinder development. This approach should be complemented by educational initiatives aimed at fostering new entrepreneurs and business ecosystem participants, taking into account each population's unique cultural aspects. Understanding these cultural principles is essential for crafting promotion models that resonate with local residents and businesses. The synergy between institutional

structures, education, and culture catalyzes actions to enhance a location's attractiveness, as summarized in **Figure 2**.

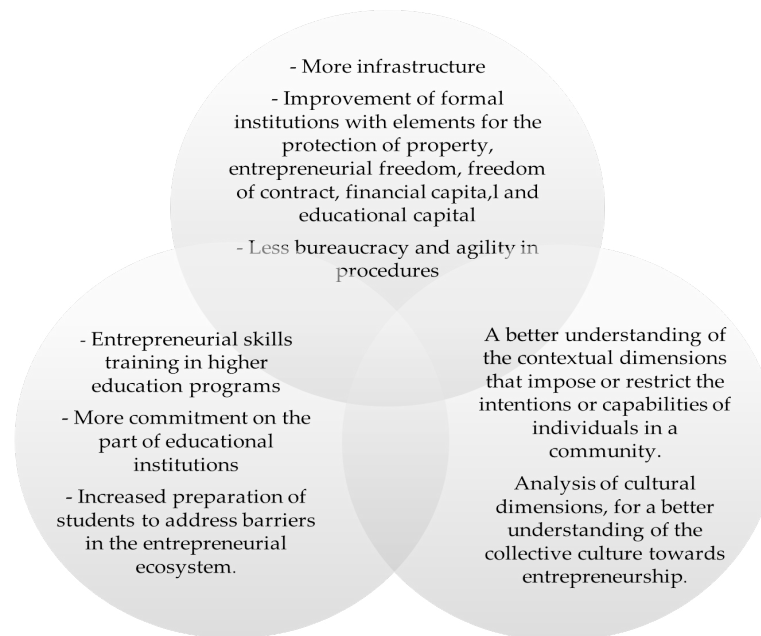


Figure 2. Key institutional factors for improving business attractiveness y Education and Culture

Subsection. Literature review.

Source: Authors' elaboration (2024)

SMART CITY

Currently, the concept of smart city is of special relevance in the study of business attractiveness, because it illustrates a business ecosystem that prioritizes innovation, competitiveness, new sources of employment, and a suitable ecosystem for entrepreneurship and territorial development in a comprehensive manner, supported through the democratic use of information and communication technologies.

According to the most recent definition Spanish Association for Standardization and Certification - **AENOR. (2016)** a smart city is:

A fair and equitable citizen-centered city that continuously improves its sustainability and resilience by leveraging knowledge and available resources, especially Technologies and Communication (ICT), to improve the quality of life, the efficiency of urban services, innovation and competitiveness without compromising future needs in economic, governance, social and environmental aspects. (p.7)

Other authors such as **Marina (2004)**, states that:

A Smart City not only takes into account its economic status and that of its citizens, but also measures their living standards by other variables to which we are currently giving increasing importance and which are: the quality

of life; the possibilities for development, good conditions that allow them to maintain affective relationships as unimpeded as possible; the facilities to make their family lives compatible with their working lives; the possibilities of connection with the rest of the world; the facilities to get jobs. (p.4).

The first two proposed definitions above respectively, focus on the ideological bases on which the smart city should be built, such as sustainability, innovation, increase in the quality of life of residents, as well as the importance of individual self-realization; The third definition is mentioned by [Patiño \(2014\)](#), which indicates that in the last decade, the concept has been associated with using TIC To meet contemporary challenges in urban planning.

An innovation ecosystem, as described by [Moore \(1993\)](#) and further elaborated by [Penco et al., \(2020\)](#), is a crucial component of building a smart city, consisting of interconnected companies and institutions collaborating to develop shared technologies, knowledge, and skills, thereby stimulating entrepreneurial creation and innovation. Many cities globally have embraced the “smart city” concept, integrating information and communication technologies (ICT) into urban planning and governance to enhance development ([Tanga et al., 2019](#)), addressing competitiveness and employment challenges ([Sánchez et al., 2019](#)). Smart cities aim to create more opportunities for residents by focusing on human and intangible factors within the knowledge economy, requiring local administrations to develop and prioritize policies with a clear time horizon ([Amo et al., 2017](#)).

Facing low economic growth, unemployment, and economic crises in the European Union, the European Commission introduced the RIS3 strategy to foster differentiated development across regions through innovation and intensive research in key sectors. Defined as integrated national or regional research and innovation strategies for smart specialization and economic transformation, RIS3 is based on five core principles: financial support for priority areas, strengthening competitive regional sectors, promoting private sector investment in innovation, and encouraging regions to develop tailored policies, strategies, and work plans ([Woronowicz et al., 2017](#)). Launched in 2014 for the period up to 2020, with a subsequent phase from 2021 to 2026, the evaluation of RIS3’s effectiveness is decentralized, leaving nations or regions to assess their progress.

An example is Castile and Leon in Spain, which conducts annual evaluations. In 2017, only 29% of its strategic objectives were met, including achievements in academic participation, ICT use in public procedures, and internet connectivity. However, goals related to technological innovation spending, research personnel, and university patent applications were not met, prompting the Regional Government of Castilla y León to reconsider its strategy implementation approach ([Junta de Castilla y León, 2022](#)).

The “smart growth” model emphasizes the efficiency and role of entrepreneurship in fostering innovation, with the creation of new firms influenced by a region’s intelligence level and its capacity for smart finance, distinguishing between

smart regions driven by knowledge spillovers and traditional regions reliant on physical assets (Lehmann et al., 2017). Silicon Valley exemplifies an ideal innovation ecosystem, supported by accelerators that assist startups in various developmental stages, highlighting the significance of support infrastructure and digital transformation in enhancing stakeholder interaction and company visibility through social networks (Ester, 2017; Bellisario et al., 2016 and Anastasiei et al., 2023).

Additionally, the role of government and public policy in developing innovation ecosystems is crucial, with research centers and the facilitation of information flow between universities and businesses laying the groundwork for an autonomous innovation ecosystem (Ma et al., 2019). The adoption of digital transformation and social media by public and private institutions is recognized for enhancing information dissemination, with universities adopting commercial strategies to brand themselves effectively, underscoring the need for content optimization and engagement strategies to build trust and a stronger institutional presence (Mehmood et al., 2022).

Camboim et al., (2019) explored the defining elements of a “smart city” through literature reviews, expert interviews, and analysis of European smart city projects in Amsterdam, Barcelona, Lisbon, and Vienna, highlighting the importance of fostering clusters, startups, and knowledge-based venture capital. They emphasize the role of educational and research institutions in driving the knowledge economy by facilitating knowledge creation, patent registration, and training highly capable individuals for nascent companies or entrepreneurship.

The study suggests cities can foster creativity and innovation by establishing collaborative coworking spaces, incubators, and accelerators to prioritize knowledge sources and innovation spaces within the smart city framework. Complementarily, Curley and Formica (2013) advocate for Business Experimentation Laboratories to accelerate the creation, incubation, and testing of new venture ideas in simulation micro-ecosystems, allowing entrepreneurs to rapidly and cost-effectively test their ideas in controlled environments.

Sandel (2017) emphasizes that smart cities are predominantly about sociology rather than just infrastructure, advocating for investments in both physical and social ecosystems, including community involvement and entrepreneurial resources, to foster models of collaboration that yield socioeconomic benefits. This approach suggests that prioritizing education and early-stage planning in business and socioeconomic dimensions accelerates the realization of smart city advantages.

Caperna et al., (2017) concur, arguing that smart or digital infrastructure alone does not guarantee economic growth, especially during economic crises, highlighting the value of social cooperation and collaborative models for economic and social impact. The importance of citizen participation in developing smart, sustainable cities is underscored, with a focus on involving stakeholders in decision-making and regulation formulation (Alamoudi et al., 2023). Kociuba et al., (2023) contribute

to the discourse by proposing a smart city ecosystem model that integrates with business stakeholder ecosystems, emphasizing strategic implementation tailored to city contexts and the coordination of stakeholders for an effective smart city ecosystem.

The smart city concept emerges as a solution to contemporary urban challenges, including unemployment, declining competitiveness, sluggish economic growth, and the environmental impact of unsustainable economic models. Scholars suggest a multi-phased approach for local policymakers and administrations to develop smart cities as ecosystems that enhance employment, competitiveness, business creation, and sustainability, leveraging information and communication technologies. Initially, smart city planning should consider each territory's unique context and community characteristics, followed by establishing research centers and fostering private sector-university cooperation to spur industry-relevant research, competitiveness, and innovation. The above is summarized in **Figure 3**.

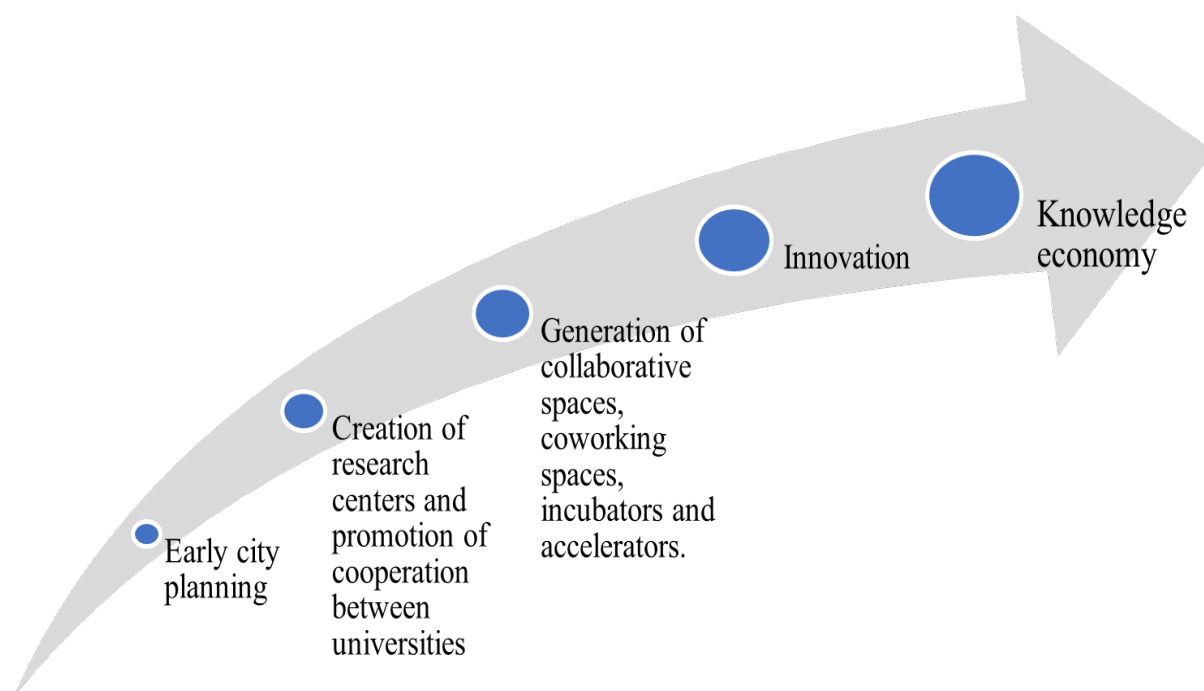


Figure 3. Phases for the creation of a smart city identified in the literature review.
Source: Authors' elaboration (2024)

DISCUSSION

One of the objectives of the present review was the multiplicity in the origin of the sources, a limitation in this parameter arose from the lack of available research on the subject of business attraction in developing countries and regions. Of the articles consulted, 48% studied European Union countries, the Union itself, or North America (Canada and the United States), 24% Asian countries or the Asian continent, 10% Latin American countries or the subcontinent itself, and 6% African

countries. **Figure 4** shows the location of the national studies within the literature reviewed around the world.



Figure 4. Location of national studies
Source: Authors' design (2024)



Figure 5. Geographic distribution of regional studies
Source: Authors' design (2024)

Regarding the studies that addressed the phenomenon of business attraction at a global level, 82% of the authors consulted were from the United States and Europe, 12% from Colombia, and 6% from China. Therefore, there is also a scarcity of authors from developing countries, due to this, it could be affirmed that the topic of business attraction is a little studied area and that it can mean multiple research opportunities for both students and teachers in the region, with the purpose of developing public policies that are adapted to the unique characteristics of their territories. **Figure 6.** shows the origin of the authors.



Figure 6. Geographic distribution of studies by country
 Source: Authors' design (2024)

CONCLUSIONS

This study presents a literature review related to the processes of territorial business attraction, its key elements and most relevant dimensions. Through a documentary review, it investigates the current discourse on business attraction, focusing on the entrepreneurial ecosystem as a key enhancer of business appeal. The research highlights the importance of institutions, business education, and culture in fostering socioeconomic development in diverse regions. It concludes that advancements in these domains are crucial for a prosperous entrepreneurial ecosystem, with innovation playing a pivotal role. The smart city concept is identified as a significant 21st-century strategy for fostering environments conducive to entrepreneurial success and sustainability.

The ecosystemic dimension highlights the importance of synergistic cooperation among different components, though not all elements equally affect territorial attractiveness. The institutional framework stands out as the foundational element for economic activities within the business ecosystem. Moreover, the approach to analyzing business ecosystems varies with the region's level of development. In developed regions such as the European Union, the focus is on specialization or industry segmentation. In contrast, in Latin America, the emphasis is on the availability of resources and the feasibility of accessing information to create and monitor attractiveness indexes.

Although different institutions promote different degrees and types of entrepreneurship, the general objective should always be the creation of institutions that in real terms are an example of transparency, efficiency and agility. Any institutional planning aimed at improving the attractiveness of a territory must be permeated by educational initiatives and a precise contextualization of the culture

of the place. Education and culture are indispensable in any type of project that seeks long-term transformation and change.

The smart city model prioritizes a democratic, sustainable, and developmental transformation in economic, social, and environmental areas, utilizing information and communication technologies to improve the quality of life for residents. Implementing this model involves challenges and necessitates joint efforts from both citizens and local governments, as policies alone cannot achieve the desired outcomes. A major obstacle for Latin American cities is the pronounced inequality within the region, complicating the model's goal of democratizing daily life aspects like culture, employment, and education in areas with insufficient infrastructure or spaces. This situation may restrict the advantages of smart living centers to only certain areas and individuals.

The ecosystemic and institutional vision, and the concept of the smart city, each in themselves imply a proposal towards the achievement of a more attractive territory to achieve greater business creation and competitiveness, in addition to the rest of the spheres of life in society that are impacted by these transformations.

Key factors for each determinant contributing to business attractiveness were identified and explained. This information provides companies with a deeper understanding of the factors that influence their appeal to investors and customers. It also enables informed decision-making regarding business strategies to enhance competitiveness in the market. Additionally, in terms of public policies, areas for improvement can be identified based on the context of each region, contributing to the strategic planning of regions.

Entrepreneurial ecosystems and Smart Cities are connected through digital infrastructure, connectivity, and open data access, creating favorable conditions for business attraction. The adoption of technologies such as Artificial Intelligence (AI), the Internet of Things (IoT), and Big Data optimizes urban management and strengthens business ecosystems. Key research areas include the impact of digital platforms on territorial competitiveness, the role of public policies in integrating entrepreneurship and urban infrastructure, and governance models that enhance public-private collaboration. Understanding these interactions will enable the design of more effective strategies to attract businesses and foster innovative cities.

Existing literature has advanced in understanding innovation ecosystems, institutions, and Smart Cities, but key gaps remain. Research is needed on how Smart Cities enhance business attraction through digital infrastructure, open data, and governance models. Additionally, the role of institutions in fostering investment-friendly environments, especially in Latin America, requires further exploration. The impact of entrepreneurial culture and collaboration networks on business ecosystem sustainability is also underdeveloped. Addressing these gaps will strengthen strategies for territorial competitiveness and business attraction.

The lack of comparable data limits research on innovation ecosystems in Latin America. The heterogeneity in data collection complicates a comprehensive analysis

of the relationship between innovation, institutions, and business attraction. The IDB's effort to standardize innovation surveys across the region is a key advancement, but broader access to consistent and updated data is still needed. Overcoming this limitation would enable robust comparative studies and the design of more effective policies to enhance competitiveness and business attraction.

Entrepreneurial ecosystems and Smart Cities are connected through digital infrastructure, connectivity, and open data access, creating favorable conditions for business attraction. The adoption of technologies such as Artificial Intelligence (AI), the Internet of Things (IoT), and Big Data optimizes urban management and strengthens business ecosystems. Key research areas include the impact of digital platforms on territorial competitiveness, the role of public policies in integrating entrepreneurship and urban infrastructure, and governance models that enhance public-private collaboration. Understanding these interactions will enable the design of more effective strategies to attract businesses and foster innovative cities.

It is suggested to conduct more theoretical studies in Latin America that acknowledge the unique realities of this territory and establish specific dynamics of business attraction, considering a unique socio-economic context, a focus on social issues, local business culture, the effective implementation of public policies, and regional integration.

From a pragmatic viewpoint, it's essential to engage in research offering tangible advice for both businesses and policymakers. Such research needs to delineate strategies for strategically boosting business appeal in the Latin American context. Recognizing that the aspects of business attractiveness and the key elements pinpointed in this study might appear quite specific to regional development, they must nonetheless be seen as critically important for effective application across the identified key elements in this analysis.

The findings of this research highlight three key elements in business attraction. In particular, the analysis suggests that smart cities play a crucial role in the transformation of territories and the enhancement of their competitiveness. Given the potential impact of digitalization, sustainability, and innovation on business attraction, future research could further explore this aspect, examining its application in different regional contexts and its influence on territorial development.

CREDIT AUTHORSHIP CONTRIBUTION STATEMENT

Romaña: Formal analysis, Research, Writing - Original draft, Visualization.
Betancur: Methodology, Validation, Research, Writing - Original draft, Writing - Revision and editing, Visualization, Supervision. Ng: Conceptualization, Methodology, Validation, Research, Supervision..

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