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SUMMARY

THE TERRITORIAL IMPACT OF THE EUROPEAN “FAMILY-FIRM LIFE CYCLE”

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Principal Topic

The crucial role of family SMEs in promoting regional development has not always been recognized. Up to 40% of medium-sized firms are family-owned in Europe (La Porta et al., 1999), however; the regional distribution is uneven, with the regional effects of intergenerational transmission of self-employment and family business remaining under-researched. This paper reviews the regional concentration of family workers and the self-employed as opposed to the average firm size (index of local units/persons employed – based on data derived from Regional Structural Business Statistics) at the European level. It is hypothesized that substantial added value disappears at NUTS2 level as a result of failures in the family business cycle (and consequently succession problems). In this hypothetical schema, maturing entrepreneurs who grow their ventures in a decade and often succeed in enlarging them to include family workers end up in a position of being unable to pass down their business to the new generation, and thus are bought-out by large firms after several decades of work.

Method

The paper is based on a hierarchical clustering of NUTS2 Eurostat-Regio data, in the EU-27 that was performed with the Ward method. Such clustering maps the distribution of European family business but also shows poorer, sparsely populated regions with higher levels of family workers and self-employment relating to high average firm size.

Results and Implications

The results show that a symbiosis of family work, self-employment and corporate enterprise only exists in the least favoured EU regions, a fact that has significant implications. If the presence of large firms is a hurdle which confronts both European entrepreneurs and firm birth rates as previous research has shown (Reynolds et al., 1994), then their ‘deviant’ symbiosis in particular regions supports this paper’s stance that they actually complement and play to each other’s strengths in certain stages of the family business growth cycle which dominates these economic environments. In the course of time, however, their symbiosis tends to polarise and thus become parasitic with successful entrepreneurs and their burgeoning family SMEs apparently being bought out and harvested by large firms in these regions. The territorial impact of the European “family-firm life cycle” is thus extensive.

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