DIFFERENT PATHS OF OWNERSHIP TRANSITION IN ENTREPRENEURIAL FIRMS (SUMMARY)

Karin Hellerstedt  
Jönköping International Business School, Sweden, karin.hellerstedt@ihh.hj.se

Mattias Nordqvist  
Jönköping International Business School

Karl Wennberg  
Stockholm School of Economics, Sweden and Imperial College

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SUMMARY

DIFFERENT PATHS OF OWNERSHIP TRANSITION IN ENTREPRENEURIAL FIRMS

Karin Hellerstedt, Jönköping International Business School, Sweden
Mattias Nordqvist, Jönköping International Business School, Sweden
Karl Wennberg, Stockholm School of Economics, Sweden and Imperial College, UK

Principal Topic

Much entrepreneurship research focuses on new business start-ups. However, entrepreneurship may also involve the taking over and renewing of established businesses (cf. Parker & van Praag, 2006). A large share of all privately held firms in many developed nations are likely to shift ownership within the near future. Successful transition of these firms may be critical for national economic well being and growth. To date, there is limited knowledge on the influences of the exit routes chosen (DeTienne, 2008), what individuals or firms that are likely to take over these firms and subsequent effects on firm performance. Consequently, there is an acute need for studies investigating how firms might be successfully transferred to new owners and the implications of different transition routes. In this study, we investigate the effects of two succession routes (family vs. non-family) on firm performance.

Method

We draw on detailed longitudinal employee-employer data from Statistics Sweden (SCB). In short, we access a census panel of all privately held firms and their owners in Sweden from 1990 to 2007. In addition, we have links between individuals, such as spouses, parents and children. This enables us to distinguish between family succession and outside sale. We compare growth in sales, employees and profits (EBIT) prior to and after a succession has taken place, while distinguishing between the two transition routes.

Results and Implications

In this paper study the economic effects of two ownership transition routes. Tentative findings suggest that succession within the family is positively related to sales growth and employee growth. However, this holds shortly after succession. Over time, non-family businesses increase their sales at a faster paste than family firms. The findings concerning profits (measured by EBIT) are not as straight forward since the time frame chosen heavily influences the results. In order to assess the different transition routes and the effects on performance, it is therefore necessary to consider what type of performance is interesting (for the firm, the family as well as policy makers). In addition, it is critical to investigate long term effects as well as short term consequences.

CONTACT: Karin Hellerstedt; karin.hellerstedt@ihh.hj.se; (T): +46-(0)36-101855; (F): +46-(0)36-161069; Jönköping International Business School, PO Box 1026, SE-551 11 Jönköping, Sweden.