MICRO-FAMILY-OWNED BUSINESSES IN HOSTILE ENVIRONMENT: FUTURE ENGINE FOR GROWTH? (SUMMARY)

Christophe Garonne
Queensland University of Technology, Australia & Euromed Management, France, c.garonne@qut.edu.au

Virginie Vial
Euromed Management

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SUMMARY

MICRO-FAMILY-OWNED BUSINESSES IN HOSTILE ENVIRONMENT:
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Christophe Garonne, Queensland University of Technology, Australia and
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Principal Topic

The presence or lack of entrepreneurs in the economy is recognised as being a key factor in the success or failure of countries to grow (Audretsch & Thurik, 2001). Of particular interest, are the factors that lay the ground for entrepreneurial survival and good performance (Chrisman et al., 1999; Edelman et al., 2005; Short et al. 2009). However, previous research on this central question has led toward fragmented and controversial results (Koeller & Lechler, 2005). The objective of this paper is to shed some light on the factors that drive the survival and performance of family owned firms in the specific context of hostile environment.

Entrepreneurship scholars have called for multiple-level research in the field (Low & MacMillan 1988; Davidsson & Wiklund, 2001). In this paper, we conduct a 3-level analysis (firm, industries and regions) and measure the impact of firms’ performance at the micro and macro level.

Method

We used the panel data of the Indonesia Family Life Survey (Frankenberg & Thomas, 2000; Strauss et al., 2004). 7,616 and 10,293 households underwent two rounds of comprehensive interviews in 1997 and 2000 in 13 of the 27 provinces, accounting for 83% of the total Indonesian population.

Results and Implications

We find that those family-owned firms have very various profit rates, but are on average fairly profitable compared with the industrial sector profit standard. Failure rates between 1997 and 2000 are very low (about 10%), while the industrial sector experimented a massive shakeout of about 33% in the wake of the 1997 crisis (Ter Wengel & Rodriguez, 2006), with an increase in the number of family-businesses between the two years of observation.

We examine different causes to firms’ performance and survival focusing on educational attainment of business owners, family’s different forms of social capital, as well as government policies, and find that social capital is key to success.

This paper contributes to the economics of entrepreneurship studies by continuing the discussion of entrepreneurship in hostile business environments (Baumol, 1990; Sobel, 2008).

CONTACT: Christophe Garonne; c.garonne@qut.edu.au; (T): +61-7-3138-6633; (F): +61-7-3138-5250; Queensland University of Technology, Brisbane, QLD 4001, Australia.