CHAPTER XIII. FAMILY ENTERPRISE

REGIONAL INFLUENCES ON THE EMERGENCE OF FAMILY AND NON-FAMILY BUSINESS (SUMMARY)

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SUMMARY

REGIONAL INFLUENCES ON THE EMERGENCE OF FAMILY AND NON-FAMILY BUSINESSES

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Principal Topic

This paper is posited at the intersection of economic geography, population ecology and entrepreneurship research in investigating environmental factors that determine the emergence of family versus non-family businesses. Research has argued that entrepreneurs are inseparably linked to their family (Dyer and Handler, 1994; Aldrich and Cliff, 2003) but we still know little if and how the emergence of family businesses differ systematically from that of non-family businesses (Brockhaus, 1994; Zahra et al., 2004).

Method

Our theoretical framework posits that the patterns by which family and non-family start-ups emerge differ systematically along a number of regional and economic dimensions. In order to study this, we constructed a dataset based on two longitudinal multi-level databases that cover all regions, firm and individuals in Sweden between 1991 and 2006. The first database, RAMS, provides yearly data on all firms registered in Sweden. RAMS was used to identify all companies started between 1991 and 2006 in each of the 290 municipalities existing in Sweden. The second database LISA was used to distinguish between family and non-family businesses by linking individuals to their families. Methodologically, we used panel models of the negative binomial type to draw inferences between the number of start-ups and the environmental-level variables.

Results and Implications

Panel data models on firm births reveal that the emergence of non-family business start-ups are strongly shaped by economic factors such as regional affluence, the size of the local market and the presence of a strong service sector. Hence, this indicates that non-family business start-ups are strongly susceptible to both demand-side and supply-side economic contexts. However, family business start-ups are less strongly dependent on the local economic milieu and are instead strongly associated with regionally embedded factors. Thus, family business start-ups are likely to emerge in regions with a right-wing political regime and a higher number of immigrants. The importance of family businesses in regions that are less economically affluent is large since these companies represent a strong potential source for employment and economic activity.

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