Journal of Family Business Strategy 6 (2015) 247–258

Contents lists available at ScienceDirect

Journal of Family Business Strategy

journal homepage: www.elsevier.com/locate/jfbs

Contextualizing small family firms: How does the urban–rural context affect firm employment growth?

Mikaela Backman[a,*], Johanna Palmberg[b]

[a] Centre for Entrepreneurship and Spatial Economics (CEnSE), Jönköping International Business School, P.O. Box 1026, SE-551 11 Jönköping, Sweden
[b] Center for Science and Innovation Studies (CESIS), KTH Royal Institute of Technology and the Swedish Entrepreneurship Forum, Grevgatan 34, 141 32 Stockholm, Sweden

ARTICLE INFO

Article history:
Received 15 September 2014
Received in revised form 9 October 2015
Accepted 23 October 2015
Available online 17 November 2015

JEL classification:
D22
G32
L25
R10

Keywords:
Family firms
Regional economics
Employment growth

ABSTRACT

This paper studies the effects of family governance and ownership on firm employment growth, extending existing knowledge by including in the analysis the regional context in which firms are located. We create a regional taxonomy to capture the urban–rural dimension and combine this with the corporate governance structure of the firm. Our results show that, being a family firm per se does not influence employment growth. However, when corporate governance structure and regional context are combined, the urban–rural context influences family firm and nonfamily firm employment growth differently, with family firms exhibiting greater employment growth, compared with nonfamily firms, in rural areas.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

The family firm is one of the most common forms of business around the world, and exists in all sizes, ranging from large, often listed firms operating in the global market to small and micro firms operating in local markets (Arregle, Hitt, & Sirmon, 2007; Bertrand & Schoar, 2006). It is therefore no surprise that family firms have been extensively studied (see, e.g., Garcia-Castro & Aguilera, 2014 for a recent overview of the field). However, while family business research has focused on the family firm level of analysis, developing a comprehensive understanding of family firms in a given regional context has been neglected (there are some exceptions, such as Bird & Wennberg, 2014; Block & Spiegel, 2013; Brewton, Danes, Stafford, & Haynes, 2010). This gap in the literature is surprising given that one of the most important findings in small business and entrepreneurship research is that regional context is important for firms (Dicken & Malmberg, 2001; Karlsson & Dahlborg, 2003). Moreover, to the best of our knowledge, no empirical studies have investigated how family firm growth is influenced by the urban vs. rural context in which firms are located.

In this paper, to address the aforementioned gap, we integrate arguments from the literature on family business and on regional economics to study how the internal features of a firm (i.e., family governance and ownership regime) combined with external factors (i.e., location in a urban or rural context) affect firm growth. From this perspective, we consider the following research question: *How do different regional contexts influence the relationship between the type of ownership and control regime (family and nonfamily firms) and firm growth (in terms of number of employees)?* We posit that regional context should be included when analyzing firm growth because not only can the family affect firm objectives, incentives, and, subsequently, firm behaviors (Arregle et al., 2007; Berrone, Cruz, & Gomez-Mejia, 2012), but the context may also alter firm economic behavior (Welter, 2011). Understanding how internal and external factors interact and affect firm growth is crucial because both family and nonfamily firms are important sources of employment and economic growth at different spatial levels (Chang, Chrisman, Chua, & Kellermans, 2008).

In our empirical setting, we use the definition of "family firms" proposed by the European Commission (2009). The data used to address our research question were collected from a telephone survey and combined with firm characteristics sourced from

* Corresponding author.
E-mail addresses: mikaela.backman@ju.se (M. Backman), Johanna.palmberg@entreprenorskapsforum.se (J. Palmberg).

http://dx.doi.org/10.1016/j.jfbs.2015.10.003
1877-8585/© 2015 Elsevier Ltd. All rights reserved.

Bureau van Dijk's Amadeus database. In total, we utilized approximately 600 complete observations from the two data sources. To distinguish various types of regions in which a firm may be located, we considered three categories: (1) metropolitan, (2) urban, or (3) rural. This division is based on the position of each type in the hierarchical structure of locations, with each category therefore associated with a particular level of services, demand, and inputs, as well as different growth patterns. We also applied an accessibility measure to account for various regional characteristics and mitigate potential methodological problems with spatial autocorrelation.

On a national level, the study's results revealed that, overall, family firms do not differ significantly from nonfamily firms in terms of firm employment growth. However, ownership and control (i.e., whether the firm is a family firm) do affect employment growth differently across the urban–rural context. Family firms located in rural regions show a higher growth rate than nonfamily firms in the same regions. This effect has at least

Table 1
Empirical studies on growth in family firms (chronological order).

Author	Data, region, measure	Result
Alsos, Carter, & Ljunggren (2014)	• 4 (entrepreneurial) households • Norway and Scotland • Diversification of economic activity	Resource sharing and interdependencies between businesses in the household's business portfolio. Limited employment growth as staff is shared among different enterprises
Bird (2014)	• Family businesses in the manufacturing sector • Sweden • Yearly relative change in the number of employees	Family governance affects firm growth differently depending on which family member is involved in the firm. For siblings, a negative effect arises, whereas, if both parents and siblings are involved in the family firm, the effect of family governance is positive
Bjuggren (2014)	• Register data on all firms with at least 5 employees • Sweden • Employment	Family firms' employment is less affected by the business cycle (e.g., performance and product market fluctuations). This relationship holds at the industry and at the firm level
Chen, Hou, Li, Wilson, & Wu (2014)	• World Business Environmental Survey 2000 • 80 countries • Sales growth; employment growth (over a three-year period)	Family firms have lower sales growth rates but higher employment growth rates. Family-controlled firms are more influenced than nonfamily firms by institutional quality
Bjuggren, Daunfeldt, & Johansson (2013)	• All private firms • Sweden • Absolute and relative employment growth	Family ownership decreases the probability of exhibiting high growth. The negative effect is primarily driven by small firms, and sometimes becomes positive when firm growth is analyzed over longer periods
Hamelin (2013)	• Firm-level observations, SMEs • France • Annual growth rate of sales and investment	Negative effect on firm growth, as family firms tends to adopt a more conservative growth behavior
Chua, Chrisman, Kellermanns, & Wu (2011)	• Questionnaire sent by the U.S. Small Business Development Center • United States • Amount of debt	Family involvement directly and indirectly improves a new venture's access to debt financing
Brewton et al. (2010)	• Household data from the National Family Business Panel • United States • Firm resilience; change in gross income	Differences exist between rural and urban family firms. Social capital and disruption variables were negatively related to firm resilience for rural firms, while perceiving the business as a way of life was significantly and positively related to firm resilience for urban firms
Miller, Le Breton-Miller, & Scholnick (2008)	• Small firms • Canada • Sales growth (stewardship vs. stagnation)	No support for stagnation theories; the results supported, instead, the stewardship theory
Lee (2006)	• S&P 500 • United States • Employment growth	Positive effect of family firms on employment growth
Kotey (2005)	• Firm-level observations, SMEs; Business Longitudinal Survey • Australia • Return on equity; return on total • Assets; net and gross margins; changes in income and profits (over a three-year period); asset turnover, stock turnover, and sales per employee	Family SMEs perform at least as well as nonfamily SMEs. Performance difference between family and nonfamily SMEs arise at the critical growth phase (20–49 employees), reached an optimum at 50–99 employees, and decreased thereafter
Westhead and Cowling (1998)	• Firm-level observations • United Kingdom • Employment size; sales growth	Family firms are generally smaller (in terms of employment and sales revenue). Family companies are overrepresented in rural locations (i.e., in areas with fewer than 10,000 people). Family companies are underrepresented in resource-rich "core" regions (associated with high levels of new firm entry as well as high business closure rates)

Download English Version:

https://daneshyari.com/en/article/1020080

Download Persian Version:

https://daneshyari.com/article/1020080

Daneshyari.com