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# Family business and regional development—A theoretical model of regional familiness

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ABSTRACT

A key issue for regional development studies is to determine the exogenous and endogenous factors and the processes that occur within the territory and favor sustainable regional growth and development. Despite theoretical and empirical advances in understanding the mechanisms behind regional development, one dimension has been neglected: family business. To address this gap, I aim to link the family business and regional development literatures by developing a theoretical model that attempts to serve as a framework for interpreting the potential role that family firms play in regional development. The model is based on the concept of regional familiness, suggesting that the embeddedness of family businesses in regional productive structures affects regional factors, regional processes, and regional proximity dimensions and thus alters external economies of agglomeration and regional externalities. Theoretical and practical implications are discussed.

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## Introduction

The traditional justification researchers and practitioners have used to validate their studies on family business is that family firms are the most predominant form of organization (see the introduction by Siebels & zu Knyphausen-Aufseß, 2012). Moreover, family firms are specific types of social and economic actors that account for a large amount of employment, business turnover, and gross domestic product (GDP) (Bjuggren, Johansson, & Sjögren, 2011; Shanker & Astrachan, 1996). However, the unresolved question that emerges is whether the mere presence of family businesses is good or bad for regional growth and development.

Although there is some evidence that relates the presence of family firms to less developed regional economic environments, as in the United States of America (Chang, Chrisman, Chua, & Kellermanns, 2008), other studies have tied economic strength to the presence of family firms, as in Germany (Berghoff, 2006). The contradictory evidence about the dark versus bright side of family businesses for regional/national development is also evident from a historical perspective (Berghoff, 2006; Burkart, Panunzi, & Shleifer, 2003; Chandler, 1990; Landes, 1951; Morck, Stangeland, & Yeung, 2000; Whyte, 1996). Therefore, to move this debate forward, it is necessary to open new research paths to understand the relationship between family businesses and regional development by positing that it is not the presence of family businesses themselves that makes them dress as Dr. Jekyll (bright side) or Mr. Hyde (dark side) but their collective aggregate actions as regional actors. The main gap in the current debate is about the role family firms play in economic or social development and, of course, vice versa.

Regional development studies have avoided investigating the family's effect on firm behavior and the consequences of this influence for regional economic and social development (with some exceptions in research studying an industrial district that highlights the presence of family firms but does not delve into the relationship between family businesses and regional development, Johannisson et al., 2007). Conversely, although family business studies have focused on micro-oriented research (Zellweger & Nason, 2008) based on behavioral aspects of family firms (Basco, 2013), family business behavior has not been integrated at the regional level to measure its economic and social impact (with some exceptions: Block & Spiegel, 2013). Therefore, any attempt to link family businesses and regional development should go beyond the ontological view of family firms (Jansen & Basco, 2014) and should capture the essence and nature of family firms within the territory and their interrelationships with regional dimensions that boost or hinder regional growth and/or development.

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Given the above-mentioned gap, the aim of this article is to explore the relationship between family business and regional development. To address this, I propose a model based on an analytical framework with an inductive view of the existing literature. The main assumption of the model is built on the claim made by Morck and Yeung (1998) that economic growth and development depend not only on the stock of capital and production factors but also on who owns and works with them. Thus, the model is conceived by extending the idea that the juxtaposition of family and business systems creates specific behavior in family firms (i.e., firm familiness Habbershon & Williams, 1999 represents the family business' unique bundle of resources because the presence of family members alters organizational objectives and incentives and thus affects firm decision making) and thus how family firms interact economically and socially with the environment. This condition, at the firm level, is the basis for why the proposed model asserts, at the aggregate level, that the composition of businesses (i.e., the type of firm, such as family or non-family firms) in the regional productive structure may affect the regional dimensions responsible for regional growth and development.

Specifically, the model generally hypothesizes that family firms' influence on regional development is produced, due to the uniqueness of family business decision making, through regional factors (endogenous and exogenous), regional processes, and regional proximity dimensions that may boost or hinder agglomeration effects, that is, external economies of agglomeration and externalities. In this article, the constellations of these effects are called regional familiness. Specifically, I define the regional familiness concept as follows: the embeddedness of family businesses in social, economic, and productive structures within the spatial context and the type of connections that emerge and interact with regional factors (i.e., tangible and intangible factors) and regional processes (e.g., spillovers, information exchange, learning processes, social interactions, competition dynamics, and institutional dynamics) through regional proximity dimensions (i.e., relational, institutional, organizational, social, and cognitive proximity).

This article has both theoretical and practical implications. Concerning the family business literature, it addresses the gap arising from the family business literature's primary concentration on micro-oriented research (Zellweger & Nason, 2008) at the firm and family levels (Pérez Rodríguez & Basco, 2011), with less emphasis at the aggregate level. The model extends the idea that family firms are important actors not only because the family firm is the most representative form of organization (as is usually proclaimed) but also because regional factors, processes, and proximity dimensions are altered depending on the embeddedness of family businesses in regional productive structures. The proposed model attempts to serve as a framework to understand better the role that family firms play in regional economic development and growth, and as a framework for future research. Additionally, this article extends the concept of familiness developed by Habbershon and Williams (1999) from the firm level (i.e., firm familiness) to the aggregate level (i.e., regional familiness). Finally, this line of research contributes to the family business theory-building process by positing that a theory for family firms must explain and predict not only the interaction between family and business systems at the individual and family firm levels but also the interaction between family firms and the environment at the aggregate level.

Concerning regional development research, this article brings into the debate a dimension that was not completely understood in regional development studies. Although researchers have highlighted the importance of family firms in industrial districts or clusters (Beccattini, 1989; Jaskiewicz & Luchak, 2013; Johannisson et al., 2007; Wei, Li, & Wang, 2007) for regional development, little is known about why and how certain types of family firms in regional productive structures are important for regional development. In this sense, this line of research opens the black box by considering type of ownership, management regime, and spatial context for regional development.

Finally, this article also has practical implications because the debate about the interaction between family firms and regional development not only seems to be a debate among academics (Simon, 2009) and practitioners (Venohr & Meyer, 2007) but also is of political importance in many areas, such as in the European Union (Commission, 2009). This line of research considers a new dimension that has hardly been considered when creating and implementing regional and local development policies (Basco & Bartkeviciute, 2014). The model attempts to show the social and economic connections between family firms and the territory by arguing that the intensity, degree, and quality of these connections (through endogenous and exogenous factors, regional processes, and proximity dimensions) may affect regional growth and development. This article invites policymakers to consider the family firm phenomenon more seriously. Understanding the positive and negative influence family firms have on economic and social development may contribute to tailored policies that enhance regional competitive advantage by increasing benefits and reducing disadvantages for family firms within the territory.

The structure of this article is as follows. First, because both regional development and family firms are blurred concepts, in the first section, I clarify these topics to define the limits of this study. Second, based on the review, I develop a model at the regional level to link family firms and regional development based on regional factors, regional processes, and regional proximity dimensions that can be affected by the embeddedness of family businesses in regional productive structures. Finally, conclusions, contributions and possible future lines of research are presented.

## Literature review—A conceptual approximation

### *Conceptualizing the regional development phenomenon*

The term regional development has received significant attention from different stakeholders: from the academic side (e.g., economists, geographers, and sociologists) and from the practitioner side (e.g., policymakers, politicians, and public government consultants). Two schools of thought have emerged to approach the regional development phenomenon: the growth perspective and the development perspective[1]. Following the development perspective, in this research, I consider the general and inclusive definition developed by Stimson, Stough, and Roberts (2006, p. 6): "regional economic development is the application of economic processes and resources available to a region that result in the sustainable development of and desired economic outcomes for a region and that meet the values and expectations of business, of residents and of visitors." The dimension of space becomes important because it demarcates the origin of regional factors and regional processes, emphasizing the importance of local economic and social actors and the happenings inside the region. Therefore, development is not spaceless; it is a spatial process itself. As such, geographical aspects, such as space, territory, and the place where phenomena occur, are important (Stimson, 2014a). Although regional studies, such as the regional economic growth research stream, have generally focused on location attributes and environmental conditions and have not focused on the role of

[1] For a more complete review of the definition of regional development, please see Ascani, Crescenzi, and Lammarino (2012); Capello (2008, 2011); Pike, Rodriguez-Pose, and Tomaney (2006); Rocha (2004); Todaro and Smith (2012); and Wennekers and Thurik (1999).

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