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Linköping University Post Print

N.B.: When citing this work, cite the original article.

Original Publication:

Roger Stough, Friederike Welter, Joern Block, Karl Wennberg and Rodrigo Basco, Family business and regional science: "Bridging the gap", 2015, The Journal of Family Business Strategy, (6), 4, 208-218.

<http://dx.doi.org/10.1016/j.jfbs.2015.11.002>

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Postprint available at: Linköping University Electronic Press

<http://urn.kb.se/resolve?urn=urn:nbn:se:liu:diva-124518>

Family business and regional science: “Bridging the gap”

In press, Journal of Family Business Strategy

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Abstract. The purpose of this special issue is to stimulate research on the interaction between the fields of family business and regional science. Despite their overlapping themes and the high relevance of family firms for many regions, the two academic fields have emerged independently from each other, and little exchange exists. We discuss not only the role family firms play within the region in order to enhance our understanding of the ways family firms may (or may not) contribute to regional economic development but also the effect of socio-spatial and institutional context on firm behavior and performance. The set of empirical and theoretical articles included in this special issue represents an important early step bridging insights between the two fields.

1. Introduction

The family firm is an important form of business organization that exists in different sizes and sectors in developed as well as emerging economies. Family firms have been shown to significantly contribute to workforce employment and gross domestic product (GDP) in countries such as Germany, the United States, and Sweden (e.g., Bjuggren, Johansson, & Sjögren, 2011; Shanker & Astrachan, 1996), among others (IFERA, 2003). However, from the side of the family business field, there are only scant theoretical approaches that explain why, how, and when family firms affect regional economic development (with some empirical exceptions, such as Berlemann & Jahn, 2015; Bird & Wennberg, 2014; Block & Spiegel, 2013). On the other hand, despite regional science scholars' interest in the behavior of firms in a spatial context (van Dijk & Pellenbarg, 2000), family firms have been largely neglected in regional science studies thus far.

This parallel development of both family business and regional science with little cross-knowledge fertilization creates a gap in our understanding of how the two fields are related. We believe that it is time to narrow and help close this gap by promoting research that can offer a better explanation of the relationship between family firms and the regional economy. Therefore, the aim of this special issue is to explore the role of family firms in regional economic environments and to enhance our understanding of the ways family firms may (or may not) contribute to regional economic growth and development. We also attempt to dig into the effect of socio-spatial and institutional context on firm behavior and performance.

This special issue contains four articles that aim to contribute to both family business research and regional science. For the family business field, it provides an important starting point to explore the role of family business in regional economic development and the effect of regional context on the firm, thus establishing a new recognized area of research within the field. Therefore, this special issue extends the path initiated by papers such as Bird and Wennberg (2014) and Block and Spiegel (2013). Specifically, following Pérez Rodríguez and Basco's (2011) explanation of the theory-building process in family business research, this special issue extends family business boundaries by creating three breakaway points. First, this special issue brings new variables and dimensions into the family business debate, such as "regional family firm embeddedness" and "regional familiness." Second, the special issue incorporates theories and approaches from regional science and economic geography into the family business field, thus broadening our understanding of the family business phenomenon at the aggregate level. Finally, this special issue opens new doors and invites researchers from other fields to investigate the family business phenomenon. All of these breakaway points expand our thinking and knowledge base within the family business field, thus preventing lock-in effects.

For the field of regional science studies, this special issue shows how an interaction with the family business field offers a new way to introduce firm behavior into regional economic development. Specifically, the presence of family firms as actors has been largely neglected so far in the field of regional science. In this sense, the special issue responds to the call made by Markusen (2003) concerning the need for incorporating firm behavior into regional science. The effect of family firms for regional economic development is important because family firms typically exhibit strong (social) networks in their regions of operation, have

long-term views when making decisions (Lumpkin, Brigham, & Moss, 2010), and are themselves influenced by their environment's community logic (Reay, Jaskiewicz, & Hinings, 2015). Therefore, this special issue provides a new set of factors that may facilitate or impede regional economic development. Specifically, it extends the efforts initiated by Maskell (2001) and Rafiqui (2010), among other researchers, to introduce firm and family dimensions into the economic geography and regional science debates.

Finally, this special issue has important implications for policymakers. This new line of thought, which combines knowledge of family business and regional science studies, provides an opportunity to introduce new perspectives into political debates. For instance, this special issue provides an alternative way to think about the role that family firms play in regions and their path dependency, which may help policymakers tailor region-specific policies to promote economic development in their region.

To proceed towards our goal, we commence by providing a framework for addressing the interdependence gap between the fields of family business and regional science. We then provide an overview of the contribution of each paper to the special issue. We continue with a debate about the research and policy implications this special issue has uncovered. Finally, the editorial concludes by proposing a future research agenda.

2. Topic importance

To paraphrase Markusen's (2003, p. 9) ideas about the importance of studying firm behavior in regional economics, "decisions [that] firms make shape both the interregional distribution of economic activity and the quality and nature of work within regions." This thought opens the door to deepen our understanding of the link between firms and regions. In this regard, the intersection between the family business and the regional science field represents a unique opportunity for several reasons.

First, family firms are a unique type of organization because of the interaction between family and business goals in their decision making (Basco & Pérez Rodríguez, 2011; Miller, Le Breton-Miller, & Lester, 2011), which are based on family and business logic, respectively (von Schlippe & Jansen, 2014). This specific characteristic has implications on firm behavior because family firms may make decisions based on economic, social, and emotional parameters, which are, to an extent, different from the way decisions are made by corporations with dispersed ownership as well as firms owned and managed by a sole individual. There is clear evidence that family management and ownership affects the way an organization behaves with regard to internationalization (Sciascia, Mazzola, Astrachan, & Pieper, 2012), social responsibility (Block & Wagner, 2014), firm strategy (Basco, 2014), and innovation (Classen, Carree, Gils, & Peters, 2014). In particular, family firms are often characterized by a long-term orientation in their decision making (Lumpkin et al., 2010), and they tend to make important tradeoffs to enhance family and other stakeholder relationships on a par with generating profits (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Consequently, the aggregate effect of family firms at the local/regional level and its impact on regional economic development represents an important starting point for introducing a variety of organization types and firm behaviors in regional science studies. Thus, our special issue relates to a broader question of regional science studies: how does firm type impact regional economic growth and development?

Second, the endogenous perspective in regional science has amplified the importance of geographical space. Much of the research in regional science has, until recently, focused on local attributes and regional conditions (Campbell, James, & Kunkle, 2013) that marginalize the role of firms. Specifically, the comprehension of how the heterogeneity of firms affects regional outcomes has been neglected. Due to the fact that the firm is one of the important agents for creating, developing, and exploiting economic opportunities, a better understanding of the family firm-region link will contribute to uncover the reasons for the uneven distribution of wealth among regions. Consequently, differentiating the behavior effects of family and non-family firms could help untangle agent-related dimensions within the geographical space that affect regional economic development.

Third, combining both fields is a necessary condition for moving their theoretical roots forward and for identifying important boundaries and contextual patterns shaping the role of family businesses in various regions (Welter, 2011). On one hand, the family business field has yet to move to an aggregate level to investigate the link between family business and regional economic development. Indeed, incorporating geographical space is needed to develop theories to explain the interactions between family firms and spatial dimensions at the aggregate level (Basco, 2015). On the other hand, regional science studies are well positioned to incorporate family firm behavior and its effect on the aggregate level as a driver of development to better describe, explain, and predict the performance of a (regional) economy.

Finally, the importance of the interaction between the fields of family business and regional science is also important for both policymakers and managerial practice. Knowing about the embeddedness of family businesses in regional structures and its effects on regional economic development may allow policymakers to incorporate new dimensions in their thinking as a way to formulate and tailor more precise policies to cope with the challenging task of intervening in real life to reduce uneven regional development. Similarly, managers in family firms may want to consider the regional dimension in their decision-making.

3. A framework for studying the link between family business and the regional economy

3.1. Regional economic science as a starting point

To understand the reasons for and the sources of regional economic development, two main approaches exist: the economic growth perspective and the development perspective. The former approach has been strongly influenced by economic points of view relating regional development to growth in income or employment, among other variables. This school of thought is called the regional growth perspective (Capello, 2008) and is macro-economic in nature (see Todaro & Smith, 2012; Wennekers & Thurik, 1999). In this perspective, territorial features were added to the traditional macro-economic approach by treating space as uniform and abstract (Capello, 2009). The latter approach, the development perspective, has gone beyond the dominant economic stream by broadening the interpretation of development with regard to social, political, and cultural aspects (Pike, Rodriguez-Pose, & Tomaney, 2006) and considers the balance among quality of life, social cohesion, economic competitiveness, and economic growth.

The development perspective follows a micro-territorial and micro-behavioral approach (for a review see: Ascani, Crescenzi, & Lammarino, 2012). Both approaches attempt to go beyond the neoclassical economic view in order to better reflect the real world by incorporating an endogenous perspective. This endogenous orientation attempts to open the “black box” of regions by considering those factors and elements that arise and develop within regional space as well as enable the process of self-propelling development (Capello, 2011). Specifically, for the development perspective, the endogenous vision has an intrinsic characteristic. That is, development depends on the embedded components of socio-economics and culture, which determine the success or failure of regional or local economies. This lens has contributed to the renewal of thinking about the potential of indigenous local and regional development (Pike et al., 2006).

In the development perspective, economic and social actors may play a significant role in the allocation of local resources. However, it is not the allocation *per se* that is important; rather, it is agents’ decision making (i.e., how agents make decisions affecting the allocation and use of resources). Geographical space (i.e., territory) emerges as a dimension for local productive capacity, and that is where competitiveness and innovativeness occur. Consequently, the way space has been interpreted has changed scholars’ understanding not only of economic growth and development concepts but also of the regional mechanisms and processes (e.g., spillovers, social interactions, learning processes, etc.) that make economic growth and development possible. For instance, the shift from conceiving regional space as a physical metric and physical container to a diversified/relational has enabled researchers to interpret and model space as an economic resource (Capello, 2008) by restoring the concept of agglomeration inspired in Marshall (Marshall, 1920) and emphasizing the importance of micro-behavioral approaches as well as long-term competitiveness for a region.

Notwithstanding the importance of these aforementioned approaches, we observe that they largely have neglected the existence of different types of firms, especially family and non-family firms, and their link to regional economics.

3.2. Family business research as a starting point

During the last 20 years, family business research has grown significantly and gained legitimacy (Pérez Rodríguez & Basco, 2011) among academic, practitioner, and policymaker spheres. The evolution of family business research has been focused on the interaction between family systems and business systems and, specifically, on the influence of the family on firm-level dimensions. It has been demonstrated that family as an institution influences amongst others firm objectives and incentives (e.g., Basco & Calabrò, 2015; Brundin, Samuelsson, & Melin, 2014), governance behavior (e.g., Basco & Voordeckers, 2015), management behavior (e.g., De Clercq & Belausteguigoitia, 2015), the firm’s strategic position (e.g., Basco, 2014), and resource creation and development (e.g., Huybrechts, Voordeckers, Vandemaele, & Lybaert, 2011).

Notwithstanding the abovementioned line of research focusing on the firm in an effort to dismantle the family’s effect on firm behavior and performance, there are two main gaps or limitations. First, since family business scholars have mainly been focused on internal family firm dimensions to understand family firm behavior and performance, they have neglected the effect of the socio-spatial and institutional context (there have been some

attempts to capture the context, such as Naldi, Cennamo, Corbetta, and Gomez-Mejia [2013], but they are not theoretically and empirically framed in regional science). Second, family business studies have hardly moved into the aggregate level, and the links between family firms and regions have yet to be studied in a systematic way. With the exception of a few studies attempting to describe the role of family firms in workforce employment and GDP growth (e.g., Bjuggren et al., 2011; Memili, Fang, Chrisman, & De Massis, 2015; Shanker & Astrachan, 1996) and to connect family businesses with their geographical space (e.g., Bird & Wennberg, 2014; Block & Spiegel, 2013), contemporary family business research has neglected investigating the aggregate effect of family firms on the regional economy (see the historical studies of Burkart, Panunzi, and Shleifer [2003] among others).

3.3. Interdependence gap between family business and regional economic studies

As mentioned above, there has been a parallel development of the family business and regional science fields without cross-knowledge fertilization, which creates a knowledge gap that is worth being explored. In order to theorize and conceptualize the link between family business studies and regional science, we propose to start with three elements that are important for regional economic development: actors, space, and time. We interpret each of these elements by using the lens of the family business field with the intention to untangle the aggregate effect of family firms on the regional economy (see figure 1).

First, with regard to the actors, we propose that the family firm is a particular and unique type of actor that should be studied within the universe of organizations that operate regionally because family firms have specific characteristics emerging from the interaction between family and business logic. When firms are led by the family regime (i.e., family involvement in ownership, management, and/or governance), this alters firm goals and incentives and, consequently, firm behavior (i.e., the way an organization creates, develops, and allocates resources). The second element that we propose in this reinterpretation is space, conceiving it as a relational space (Capello, 2009)—the way family firms interact with the environment, namely, regional familiness (Basco, 2015). Because of the unique characteristics of family firms and the regional embeddedness of families and family firms, we propose that they are in a privileged position to alter social and economic relationships or networks within their geographical context. Finally, the circle is closed by considering the time dimension for analyzing actor and space. In this line of thinking, the time dimension is also affected because of the family's effect on the firm, which often moves the firm's reference point from a short-term to a long-term perspective. These three elements could be used to link the fields of family business studies and regional science by considering two main levels of analysis: the regional level and the firm level. We thus further family business research by explicitly paying attention to its contextual dimensions (Welter, 2011; Wright, Chrisman, Chua, & Steier, 2014).

--- insert figure 1 around here ---

Regarding the aggregate level, the micro-foundation effect of the family on the firm has to be aggregated in order to recognize the collective effects of family firm firms' embeddedness in regional economic structures (i.e., *regional family firm embeddedness*). Based on this reasoning, we develop a framework to bridge the gap between family business studies and regional science (see Figure 2).

Our starting point considers family firms as a particular agent within the region. The reason why the family firm is the center of our model is because of its unique characteristics (i.e., firm familiness [Habbershon & Williams, 1999]) that alter the way it is governed and managed. Even more, because of the effect of the family on the firm, firm objectives and incentives are altered, causing family firms use, create, and allocate resources in different ways than non-family firms do (Cucculelli, Mannarino, Pupo, & Ricotta, 2014). Under this premise, we argue that the embeddedness of family businesses in regional economic structures influences the regional economy.

Consequently, as Figure 2 shows, the aggregate (regional) impact of family firms could follow two alternative paths. First, using the economic growth perspective, regional economic growth could be explained by family businesses being embedded in regional productive structures affecting regional factors (such as productive, human, social, and entrepreneurial factors, for more information about each factor see Stimson, Stough, & Nijkamp, 2011). The associated research questions are as follows: **Does the embeddedness of family firms in the region influence the availability and form or nature of regional factors and to what extent? How does this influence occur?** Secondly, using a development perspective, we wonder if it is possible to explain regional economic development by considering that the regional family firm embeddedness influences local productive capacity and competitiveness through regional processes (e.g., spillover, information exchange, learning processes, social interactions, and the emergence of trust, competition, and institutional dynamics). Specifically, our second set of research questions may be formulated as follows: **Does the embeddedness of family firms in the region influence regional processes and to what extent? How does this influence occur?**

Understanding the aggregate effect of family firms on regional economic development is a necessary condition to bridge the gap between the family business and regional science fields. However, the aggregate effect of family firms on regional factors and processes cannot be understood without taking into consideration geographical space. That is, cultural and institutional contexts and time dimensions matter. The third group of research questions could be formulated as follows: **Do cultural and institutional contexts moderate the relationship between regional family firm embeddedness and regional factors and regional processes? How does this moderating influence occur? Do space and time moderate the relationship between regional family firm embeddedness and regional factors and regional processes? How does this influence occur?** Having proposed that the aggregate effect of family firms influences regional factors and regional processes and the degree to which these influences are determined by geographical space, cultural and institutional contexts, and time, we thus need to clarify the consequences of these effects on regional economic and development performance. The fourth group of research question could be formulated as follows: **To what extent does the aggregate effect of family firms influence regional GDP, employment, internationalization, innovation, resilience, and living conditions among other regional economic and development performance dimensions?**

Regarding the firm level, the final consideration is that the agents are not immune to the socio-spatial context. Context matters and the specific regional economic, institutional, cultural, and evolutionary context may influence family firm behavior and performance as suggested in the literature on context and entrepreneurship (e.g., Welter, 2011). That is, our final set of research questions could be formulated as follows: **To what extent do the**

economic, institutional, cultural, and evolutionary contexts affect family firms and their behavior? Does the effect of the regional context of firm outcomes vary between family and non-family firms?

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4. Overview of contributions to the special issue

We received 18 submissions for the call for papers for this special issue. This shows the interest in and importance of the topic in the current academic debate. Four articles (see Table 1) passed the review process imposed by the guest editors to achieve the standards of originality, fit, and quality required to achieve the aim of closing the gap between the fields of family business studies and regional science.

The first article that opens this series is titled “Family Businesses in Eastern European Countries: How Informal Payments Affect Exports” (Bassetti, Dal Maso, & Lattanzi, 2015). Using a firm-level database from Eastern European countries, the authors pursue an interesting and timely research question related to the contingent effect of corruption in the relationship between type of firms (based on the ownership and management regime, such as family and non-family firms) and export share. The main result of this exploratory study is that export share is sensitive to informal payments only for family firms. This article attempts to move the current research on the dimensions affecting internationalization forward by adding dimensions related to the context, such as informal payments. In this sense, this paper not only fills the gap regarding the reaction of family and non-family firms to their environment but also opens new lines of research which future studies should investigate, for instance: why are family firms more likely to make certain kinds of decisions (which differ from non-family firms’ decisions) in specific contexts?

The second article is titled “Family Firms and Industrial Districts. Evidence from the Italian Manufacturing Industry” (Cucculelli & Storai, 2015). By focusing their research in Italy, the authors are able to link ideas coming from family business studies and regional economic studies, exploring how the location of family firms in industrial districts and firm size may impact firm performance. This article extends the debate about the benefits for firms of belonging to industrial districts with new empirical evidence. The authors categorize the antecedents of firm performance in three effects: family effect (whether the firm is family or non-family), district effect (whether the firm is located in an industrial district or not), and firm size effect. The results reveal that while family and district effects operate as a substitute in smaller firms, these effects complement each other for medium-sized firms. However, medium-sized firms are the only firms to leverage the benefits of location (in a district) but only if they are family owned. These results open new possible research avenues for the future, such as why only medium-sized family firms are able to capture and exploit the benefits of being located in industrial districts.

The third article is titled “Contextualizing Small Family Firms: How Does the Urban-Rural Context Affect Firm Employment Growth?” (Backman & Palmberg, 2015). The authors use a Swedish database to study whether and how the urban or rural location of family and non-family firms affects the firm’s employment growth ratio. The results confirm that family firms located in rural regions have a higher growth ratio than non-family firms. The authors show that context matters but not for all firms in the same proportion. In this sense, future studies could investigate the reasons behind this discovery—namely, why family firms are

able to capitalize (at least with respect to firm employment growth) on their rural location compared to non-family firms.

Finally, the fourth article in this special issue is titled “Family Business and Regional Development—A Theoretical Model of Regional Familiness” (Basco, 2015). The author proposes a model of regional familiness in order to fill the theoretical gap about how family firms contribute to regional economic development. Specifically the model hypothesizes that the regional family firm embeddedness effect is caused by 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. This conceptual paper attempts to give evidence and opens the door for future research to empirically explore why and how family firms affect regional economic development.

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5. Implications for policymakers

This special issue also aims at providing implications for policymakers. Most of the public policies related to family firms have focused on overcoming the weaknesses of family businesses (Basco & Bartkeviciute, 2014) and/or on a set of lobbying pressures (Puig & Perez, 2009) based on the needs of big family business corporations. On the one hand, the focus on family businesses' weaknesses is grounded in traditional small business public policies that tried to help small businesses overcome disadvantages due to their size (Acs & Szerb, 2007). On the other hand, lobbying pressures from big corporations are mainly focused on reducing or eliminating inheritance taxes. For instance, European Union interventions are directly applicable to the family firm itself (Basco & Bartkeviciute, 2014) by ignoring other aspects at the aggregate level through which family firms can contribute to regional economic development. Indeed, policy interventions do not consider the unique characteristics of the regional context in relation to family firms but tend to assume a logic that "one size fits all."

We believe that the abovementioned limitations are due to a lack of a theoretical framework for understanding and interpreting the link between family businesses and regional economic development. The absence of an interpretative framework to assess how the embeddedness of family businesses in regional socio-economic structures affects regional economic development has hindered the progress of a new wave of public interventions. In this sense, this special issue contributes not only to the academic debate but also to a political and public debate. Several practical implications for policymakers can be derived from this special issue.

First, an important contribution for policymakers emerging from this special issue entails tailoring regional policies in order to intervene in regional economic development (e.g., in an attempt to reduce regional inequality distribution and help lagging regions converge with more developed regions). Tailoring regional policies requires deep social and economic analysis, but this process cannot omit the existence of family businesses as actors with sufficient capacity to alter the destiny of a region by transforming the way regional factors and regional processes evolve. Backman and Palmberg (2015), for example, show that family firms grow particularly strong in rural regions. Specifically, if the intention of policymakers is to stimulate firm employment growth, then the interaction of firm location and type of firm must be considered. Indeed, there should be different policies for intervening in local and rural areas as well as for dealing with firm employment by considering new firm creation and existing firms (family and non-family).

Second, any public intervention requires specific policies and actions that need to acknowledge the types of actors that make up the regional economic structure and their interaction within the geographical space. Policies with a one-size-fits-all philosophy that attempt to boost regional internationalization, innovation, and productivity, among other regional economic performance dimensions, have limitations because not all firms act in the same way due to the objectives and incentives that influence firm behavior. In other words, policies to support family firms and/or regional development, similar to general entrepreneurship policies, need to be contextualized (Welter & Smallbone, 2011, p. 239), taking into account the place-specific role of family firms in regional development. Bassetti et al. (2015), for example, show that internationalization (export share) in family firms is positively associated with corrupt practices, such as informal payments in transitional

economies. This empirical evidence could have different interpretations, but as Bassetti et al. (2015) sustain, if the lack of strong and efficient institutions force family firms to pay additional costs to facilitate business operations, effective anti-bribery policies could selectively damage export-oriented activities in family firms. Additionally, one example why a one-size-fits-all philosophy may not apply for regional development is given by Cucculelli and Storai (2015). In their analyses, the authors show how firm performance varies when the effects of the family, district (location in industrial district), and firm size are combined. Cucculelli and Storai (2015) find that the district effect and the family effect act as substitutes for smaller firms and are complementary in medium-sized firms. However, for medium-sized firms, the district effect positively affects firm performance but only in the case of family ownership.

In summary, the policy implications that emerge from this special issue open a new window for a fruitful public and political debate about family businesses and regional economic development. We hope this special issue stimulates the current stagnant, if not non-existent, debate that has mainly focused on inheritance tax. The articles in this special issue propose important policy agendas that may be integrated into the current debate about entrepreneurship, regional competitiveness, and enterprise development as well as the need for more tailored policy approaches.

6. Discussion of a future research agenda

This editorial piece and the special issue represent the starting point for stimulating future research by attempting to fill the gap between family business studies and regional science. Using the logic displayed in our theoretical framework (see Figure 1), several future research avenues emerge that can be explored. As we previously mentioned, we distinguish two levels of analysis for developing an integrative research agenda about family business and regional economic development: the firm level and the region level.

6.1. Family business studies and regional science—The firm as a level of analysis

The focus on the firm as a level of analysis in the interaction between the fields of family business research and regional science implies the need to take into account the effect of socio-economic context, geography, and time on firm behavior and performance (see figure 3). We understand firm performance in its broad sense (for a literature review and a better comprehension of the concept see Richard, Devinney, Yip, & Johnson, 2009).

The basic conversation that emerges regarding the interaction between family business and regional science is about the effect of context (understanding “context” using a general and wide meaning) on firm behavior and performance. This line of research is particularly important because family firms are characterized by their embeddedness in local or regional communities. To address this issue, institutional theory, specifically institutional logic, could be used to link existing research from regional economic development (e.g., Rodríguez-Pose, 2013) and family business studies (e.g., Reay et al., 2015). However, it is the space, particularly its characteristic as relational space (or, as Welter [2011] posits, as socio-spatial context), that may shape economic activities. *Does the context shape economic activities, specifically those economic activities originating from and developed by family firms? How do economic, cultural, institutional and temporal contexts*

affect the creation, development, and survivability of family firms? Additionally, it is possible to move this line of research forward by linking regional economic and family business studies to the field of economic geography. This is because traditional economic geography, at least before its relational turn, has failed to understand what makes the firm “behave and perform the way it does when competing in the market” (Maskell, 2001, p. 340). *Does the economic geographical space shape economic activities, specifically those economic activities originating from and developed by family firms? How does the economic geographical space affect the creation, development, and survivability of family firms?*

--- insert figure 3 around here ---

Even though there is an incipient movement to consider not only internal factors (e.g., family involvement dimensions) but also external factors (e.g., cultural dimensions as explicated by Gupta, Levenburg, Moore, Motwani, & Schwarz, 2011), we suggest that dimensions coming from regional science could enable researchers to better interpret the family firm phenomenon under certain kinds of regional economic and social contexts. For instance, *how do different types of clusters* (for more details about different types of clusters see Markusen, 1996) *with varying internal organizational and socio-economic relational activities affect family firm behavior and performance?*

6.2. Family business studies and regional science—The region as a level of analysis

In addition to the firm level, a future research agenda should focus on the local or regional level in order to account for the aggregate consequences of the micro-foundation effect of the family on the firm. Theories at the intersection of family business studies and regional science should seek to explain the nature of family business within space (Basco, 2015) and to incorporate family business dimensions as a way to better understand the driving forces that affect regional economic development. We now explore the following: 1) the direct effect of the regional family firm embeddedness on regional economic development, 2) the effect of the regional family firm embeddedness on and regional factors and processes, 3) the consequences for regional economic development, 4) the economic geography dimensions, and 5) the institutional, spatial, and temporal contexts as contingent dimensions.

6.2.1. Direct effect of the regional family firm embeddedness on regional economic development

The main challenge for a future research agenda is to aggregate the family effect on the firm to the local or regional level. That is, there is a need to measure the effect of family businesses’ embeddedness in regional economic structures: *How can the regional family firm embeddedness be measured?* One possible and simple alternative is to separate two groups of firms operating in a geographical space, such as family and non-family firms, and explore their participation weight in the whole universe of firms. However, this simple and straightforward method of operationalizing the effect positions family firms and non-family firms as homogenous groups. However, there are different types of family firms, and they

are separated by the degree of the family's effect on firm decision making (Basco, 2014; Miller et al., 2011). Each type of family firm and non-family firm may have different aggregate-level effects, so the research challenge is to find a way to make these effects operative. Thus, a research question emerges here: *Do the different configurations of family and non-family firms at the regional level affect regional economic and development outcomes?* Figure 4 shows the direct effect (direct or curvilinear relationship) between the aggregate measure of type of firm (e.g., family firm, non-family firm, lone founder, etc.) and regional economic and development outcomes. Additionally, the direct relationship could be altered (acting as a contingent effect – moderation effect) by socio-spatial and institutional contexts. *Do contextual factors alter or modify the effect of the regional family firm embeddedness on regional economic and development outcomes? To what extent do different cultural and institutional contexts condition the effect of the regional family firm embeddedness on regional economic and development outcomes?*

--- insert figure 4 around here ---

Nevertheless, the procedure of clustering firms in different groups and aggregating them at the regional level is a feasible proxy for capturing aggregate firm behavior. This procedure implies the assumption (but not the measurement) that different types of firms have varied behavior within the geographical space. Without a solid theory to sustain these relationships, this line of research is a mere econometric exercise. Specifically, the question that emerges is: *Why does the regional family firm embeddedness impact regional economic and development? How do these relationships develop?* This special issue attempts to overcome this limitation by extending new theoretical thoughts regarding what role family businesses play within the geographical space (see Basco, 2015). Next, we develop this idea further.

6.2.2. *The effect of the regional family firm embeddedness on and regional factors and processes*

If the family firm is a representative form of organization, this implies that the family firm, as an agent, could alter the regional factors and processes that influence regional economic development. Therefore, the following question emerges: *Does the regional family firm embeddedness impact regional factors and regional processes?* Addressing this research question could fill one of the main gaps within regional science, which neglects the role of the firm because regional science has mainly focused on location attributes and regional conditions (Campbell et al., 2013). The degree and the sign (i.e., the positive or negative effect) of the regional family firm embeddedness effect on regional factors and processes could give a first approximation of family firms' role in regional economic development. Regarding regional factors and processes, it is important to dismantle the regional family firm effect on different types of factors, such as the factors of production, human capital, creative and social capital, and entrepreneurial capital, and on different types of processes, such as spillovers, information exchange, learning processes, social interactions, and competition and institutional dynamics. This line of reasoning would require testing a possible mediation effect of regional factors and processes between the

regional family firm embeddedness and regional economic and development outcomes (Figure 5 displays these relationships). *Is the relationship between the regional family firm embeddedness and regional economic and development outcomes mediated by regional factors and processes?*

The aforementioned research questions may require applying a growth perspective, which considers factors as drivers and uses deductive approaches. The entrepreneurship field could be used as a good benchmark for applying quantitative methodologies. While regional science scholars have been studying what drives the economic performance of an economy by considering the effect of labor, physical, knowledge, social, and entrepreneurial capital (e.g., Audretsch & Keilbach, 2004), we propose going a step further in order to attempt to explain *how different types of firms (e.g., family and non-family firms) may condition the stock of capital*. Therefore, answering this question may help us understand one possible cause of the uneven wealth distribution among regions. Putting this reasoning in simple terms, for instance, the aggregate innovation performance or regional labor productivity, as regional performance measures, may depend on the stock of regional factors and regional processes, but the regional factors and processes depend, in part, on agents' actions, specifically from those actors that create resources (regional factors) and interact (processes) within the geographical space. If family firms behave differently than non-family firms (e.g., regarding risk attitudes), the regional family firm embeddedness may have an impact on regional factors and processes.

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Additionally, it is possible to argue that the regional family firm embeddedness may moderate the relationship between regional factors and processes and regional economic and development outcomes. Figure 6 shows these relationships. The reasoning behind this proposition is that unlike mediation that accounts for the stock creation of certain kinds of regional factors and processes; moderation goes one step further by considering that the use and allocation of general regional factors and processes may be altered by the existence and importance of family firms in the region. Firms differ in their decision making, which affects the productivity of regional resources and processes. Therefore, the following research question arises: *Does the regional family firm embeddedness alter the direction and the strength of regional factors and processes and regional economic development outcomes?*

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Even though knowing whether the regional family firm embeddedness directly impacts regional economic development outcomes by executing the influence through regional factors and processes or just act as a contingent (moderation) force, we also need to know more about how this happens. Therefore, key questions concern the role that family firms play in the geographical space: *How does the regional family firm embeddedness affect regional factors and processes occur? Why is the regional family firm embeddedness effect*

on regional factors and processes uneven across regions? To address these research questions, we need to focus on micro-behavioral aspects, accounting for factors and processes, considering space as a relational variable, and using an inductive approach for investigating the research problem. This perspective would require combining qualitative and quantitative methods. Comparing regional case studies using a multidisciplinary approach would be necessary to understand how the abovementioned effects happen.

6.2.3. *Consequences for regional economic development*

Theorizing about the consequences of the regional family firm embeddedness effect on regions may require exploring the nuances of its impact on different regional outcome dimensions. *What kinds of regional economic and development outcome measures are important to investigate with regard to the regional family firm embeddedness?* It seems logical that the research interest and the theoretical position would determine the answer to this question. However, on one hand, those researchers who are close to the growth perspective would find it worthwhile to measure the consequences of the regional family firm embeddedness on hard measures, such as GDP, employment growth, and labor productivity, among other dimensions. On the other hand, those researchers who are close to the development perspective would find it desirable to measure the consequences of the regional family firm embeddedness on soft measures, such as regional resilience and living conditions, among other dimensions. Both approaches with their measures are important for defining the ultimate role of family businesses in a geographical space and to answer the following question: *What are the final consequences of the regional family firm embeddedness for regional factors and processes for regional economic performance?*

6.2.4. *Untangling the economic geography*

To extend the abovementioned line of research further, it would be worthwhile to deal with the impact that the regional family firm embeddedness has on external economies of agglomeration—that is, economies that are beyond the control of the individual firm, instead depending on the existence and actions of other firms (Parr, 2002) and conditioned by spatial proximity. Two research questions seem to be relevant for future investigations: *Does the regional family firm embeddedness alter external economies of agglomeration? Does the regional family firm embeddedness influence externalities (positive and negative)?* A partial theoretical response to these research questions is given by Basco (2015) in this special issue. Regional familiness theory (Basco, 2015) proposes that agglomeration effects (external economies of agglomeration and externalities) are altered by the impact of family firms through regional proximity dimensions. Future studies could test this model by answering the following research questions: *Does the embeddedness of family firms in regional economic structures affect proximity dimensions, and if so, how?* Even though Basco's theoretical framework argues that the regional familiness effect on proximity dimensions may impact regional processes, the model lacks an explanation for how these effects positively or negatively impact agglomeration effects. Future studies should address this limitation. Figure 7 synthesizes the abovementioned effects.

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6.2.5. Institutional, spatial, and temporal contexts as contingent dimensions

The context for family firms—that is, institutions, space, and time—cannot be excluded from the analysis because these dimensions may moderate the effect of regional family firm embeddedness on regional factors and processes and its consequence for regional economic development. Regions simultaneously provide opportunities and potential barriers for family firms, thus influencing their contribution to regional economic development. Socio-spatial and institutional contexts are of importance in this regard. Therefore, future studies should investigate the following questions: *To what extent and in which ways do cultural, spatial, and institutional contexts condition (moderate) the impact of the regional family firm embeddedness on regional factors and processes?* For example, research on entrepreneurship in a socialist/post-socialist context has illustrated the changing nature of family entrepreneurship in relation to institutional conditions and over time as formerly socialist states moved toward market-based economies (Welter et al., 2014). This line of research could give a better explanation for *why the presence of family firms is not always beneficial for regional economic development*. Specifically, by contextualizing the phenomenon of the family firm, the aim is to shed new light on whether there are special conditions in which better fits are achieved between family firms and socio-spatial and institutional contexts. Also, contexts are changeable and it would be of interest to learn more about whether and how family firms can affect contextual conditions and change them over time.

Regardless of the importance institutional and spatial contexts may have in moderating the effect regional family firm embeddedness has on regional factors and processes and on their consequences for regional economic development, time cannot be omitted. Along these lines, family business scholars could reach additional understanding on the role of family businesses in regional context by a much stronger emphasis on history. For example, research has illustrated the nature of “socialist legacies” and their positive or negative influence on (family) entrepreneurship in formerly socialist countries (Adam-Muller, Andres, Block, & Fisch, 2015; Dombrovsky & Welter, 2006; Fritsch & Wyrwich, 2014; Smallbone & Welter, 2001; Welter et al., 2014). Also, finance scholars have discussed the importance of family businesses in the development of national economies (Burkart et al., 2003). Theories in evolutionary economic geography could be one way of introducing both historical and geographical contingencies into the discussion of family businesses and regional development (Boschma, Martin, Boschma, & Martin, 2010).

6.3. The way forward

In concluding, we suggest that we need a whole new platform of research on the role of family firms for regional economic growth and development. Further, while the focus of this opening chapter and the other contributions of this special edition is the family firm, it is important to recognize that the family firm is only one form of business organization. The family firm argument that has been made begs a broader treatment of the *impact of the form of the firm on regional economic growth and development*. For example, all of the research questions made herein could be raised for such different firm types as transnational, small medium-sized and large firms, for profit and not-for-profit organizations or other non-public firms, other privately held firms and proprietorships. This issue would place

the family firm in the context of a more general firm typology that asks the question: “how does firm type impact regional economic growth and development?” Future research needs to address this question as well as the whole array of more specific questions that have been proposed for the effect of the family firm. Thus, by opening up family business research for regional development and regional growth questions, we see a wider benefit for entrepreneurship research as such.

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Figure 1. Regional elements

Figure 2. Bridging the gap between the family business and regional science fields

Figure 3. The effect of context on firm behavior and performance

Figure. 4. Direct impact of the regional family firm embeddedness on regional economic and development outcomes

Figure 5. The mediation effect of regional factors and processes

Figure 6. The moderation effect of the regional family firm embeddedness

Figure 7. The regional family firm embeddedness as an antecedent of economic geography dimensions

Table 1. Overview of the articles in this special issue

Authors	Main research question	Method	Key findings
Bassetti, Dal Maso, & Lattanzi (2015)	Does corruption affect family firms' export share in Eastern European countries?	Quantitative method	"There is a positive relationship between family firms' export share and the amount of informal payments they pay to facilitate business operations." Informal payments are a contingent dimension between family firms and internationalization. This may mean that corruption is a tool to overcome institutional inefficiencies and get things done.
Cucculelli & Storai (2015)	Do the family effect, district effect and, firm size affect firm performance in the Italian context?	Quantitative method	Family and district effects operate as a substitute in smaller firms, but both effects complement each other for medium-sized firms. However, medium-sized firms are the only to leverage the benefits of location (in a district) but only in the case of family ownership.
Backman & Palmberg (2015)	Does the urban-rural context influence the relationship between family and non-family firms and firm employment growth?	Quantitative approach	Family firms do not differ significantly from non-family firms in terms of firm employment growth. However, family firms located in rural regions show higher growth rates than non-family firms.
Basco (2015)	What is the role family firms play in regional development?	Theoretical approach	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.

Table 2: Themes for a research agenda and future research questions

Level of analysis	Themes of research	Research questions
Firm level	The effect of the context on firm behavior and performance	<ul style="list-style-type: none"> • Does the context shape economic activities, specifically those economic activities originating from and developed by family firms? • How do economic, cultural, and institutional contexts affect the creation, development, and survivability of family firms? • Does the economic geographical space shape economic activities, specifically those economic activities originating from and developed by family firms? • How does the economic geographical space affect the creation, development, and survivability of family firms? • How do different types of clusters with varying internal organization and socio-economic relational activities affect family firm behavior and performance?
Regional level	Direct effect of the regional family firm embeddedness on regional economic development	<ul style="list-style-type: none"> • How can the effect of regional family firm embeddedness be measured? • Do the different configurations of family and non-family firms at the regional level affect regional economic and development outcomes? • Do contextual factors alter or modify the effect of regional family firm embeddedness on regional economic and development outcomes? • To what extent do different cultural and institutional contexts condition the effect of regional family firm embeddedness on regional economic and development outcomes? • Why does the regional family firm embeddedness impact regional economic and development measures? • How do these relationships develop?
	The effect of regional family firm embeddedness on regional factors and processes	<ul style="list-style-type: none"> • Does the regional family firm embeddedness affect regional factors and regional processes? • Is the relationship between the regional family firm embeddedness and regional economic and development outcomes mediated by regional factors and processes? • How do different types of firms (e.g., family and non-family firms) condition the stock of capital? • Does the regional family firm embeddedness alter the direction and the strength of regional factors

		<p>and processes and regional economic development outcomes?</p> <ul style="list-style-type: none"> • How does the regional family firm embeddedness affect regional factors and processes occur? • Why is the regional family firm embeddedness effect on regional factors and processes uneven across regions?
	Consequences for regional economic development	<ul style="list-style-type: none"> • What kinds of regional economic and development outcome measures are important to investigate with regard to the regional family firm embeddedness? • What are the final consequences of the regional family firm embeddedness for regional factors and processes for regional economic performance?
	Untangling economic geography	<ul style="list-style-type: none"> • Does the regional family firm embeddedness alter external economies of agglomeration? • Does the regional family firm embeddedness influence externalities (positive and negative)? • Does the embeddedness of family firms in regional economic structures affect proximity dimensions, and if so, how?
	Institutional, spatial, and temporal contexts as contingent dimensions	<ul style="list-style-type: none"> • To what extent and in which ways do cultural, spatial, and institutional contexts condition (moderate) the impact of the regional family firm embeddedness on regional factors and processes? • Why is the presence of family firms not always beneficial for regional economic development?