



Firm Migration

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Dia 1

RUG1

Om de datum in te stellen:

- * >Invoegen >Datum en tijd
- * Bij Vast: vul de datum in in formaat dd-mm-jj
- * >Toepassen op alle dia's

RUG; 30-8-2007



The agenda

- › Patterns of long distance firm migration
- › Short distance firm migration
- › The demography of firms
- › The problem of measurement: definition and data
- › Selection of research results for the Netherlands



The first study on firm migration: *'Why Industry Moves South'* in the US

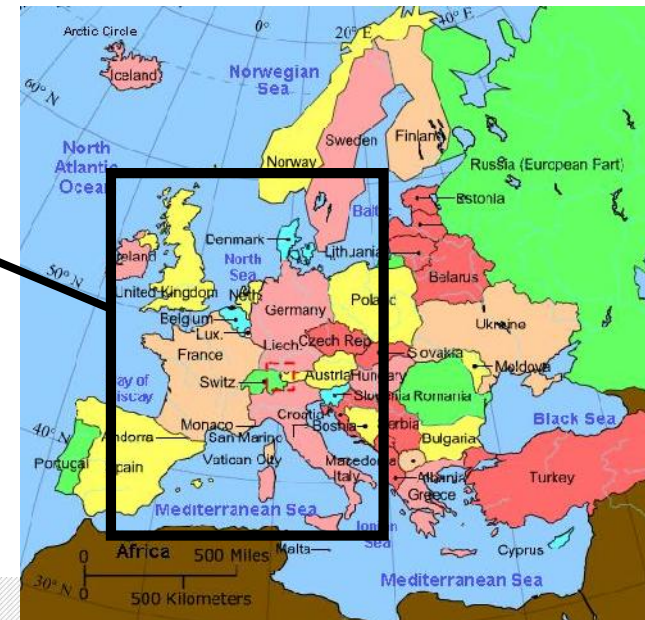
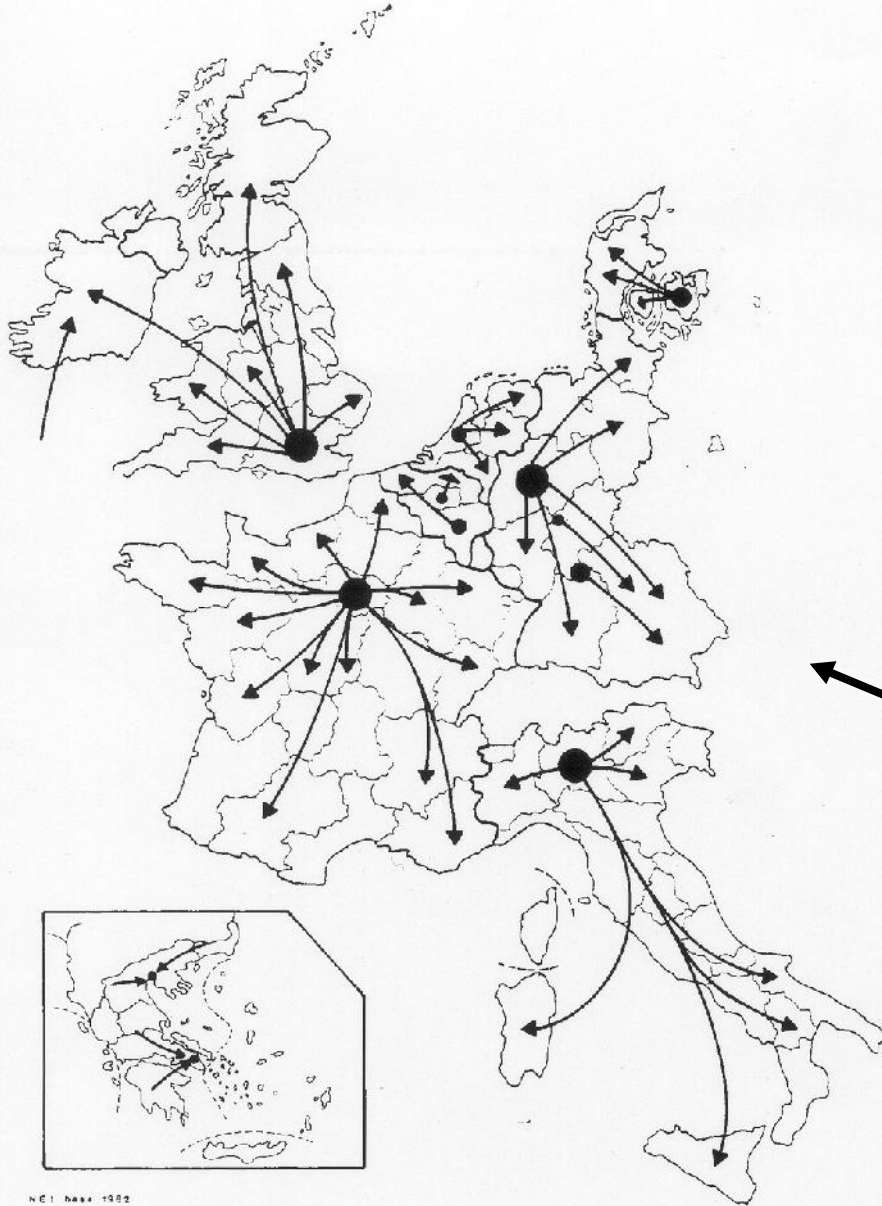
by McLaughlin
& Robock (1949)





Industrial Migration patterns in the European Community, 1955-1975

Klaassen en Molle (1983)





Relocation of production plants of branded jeanswear in N-America between 1993 and 2003

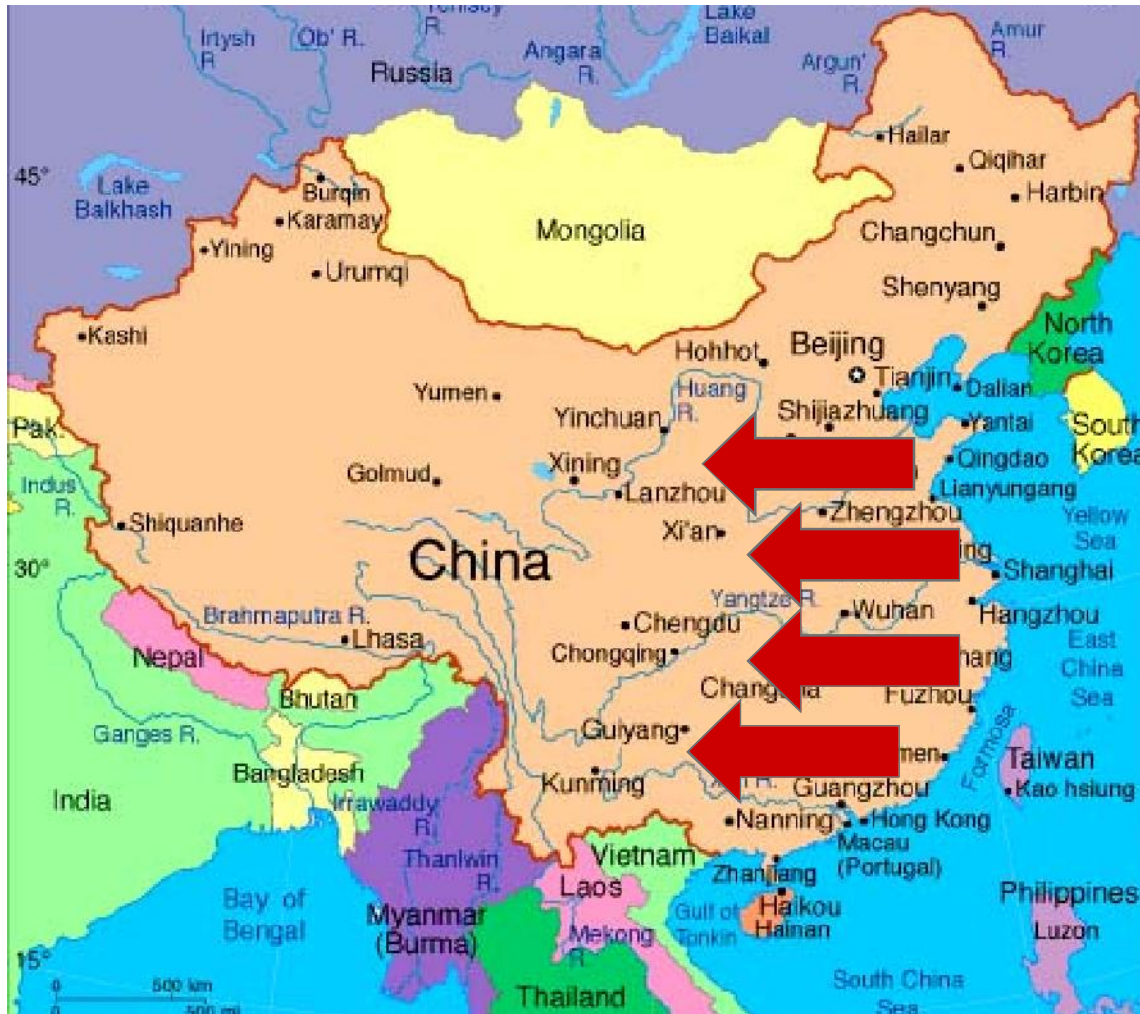
Verkoren (2008)





Cross border firm migration in Europe since 1990





**Firm
migration
in China
anno 2009
????**



What do these maps tell us?

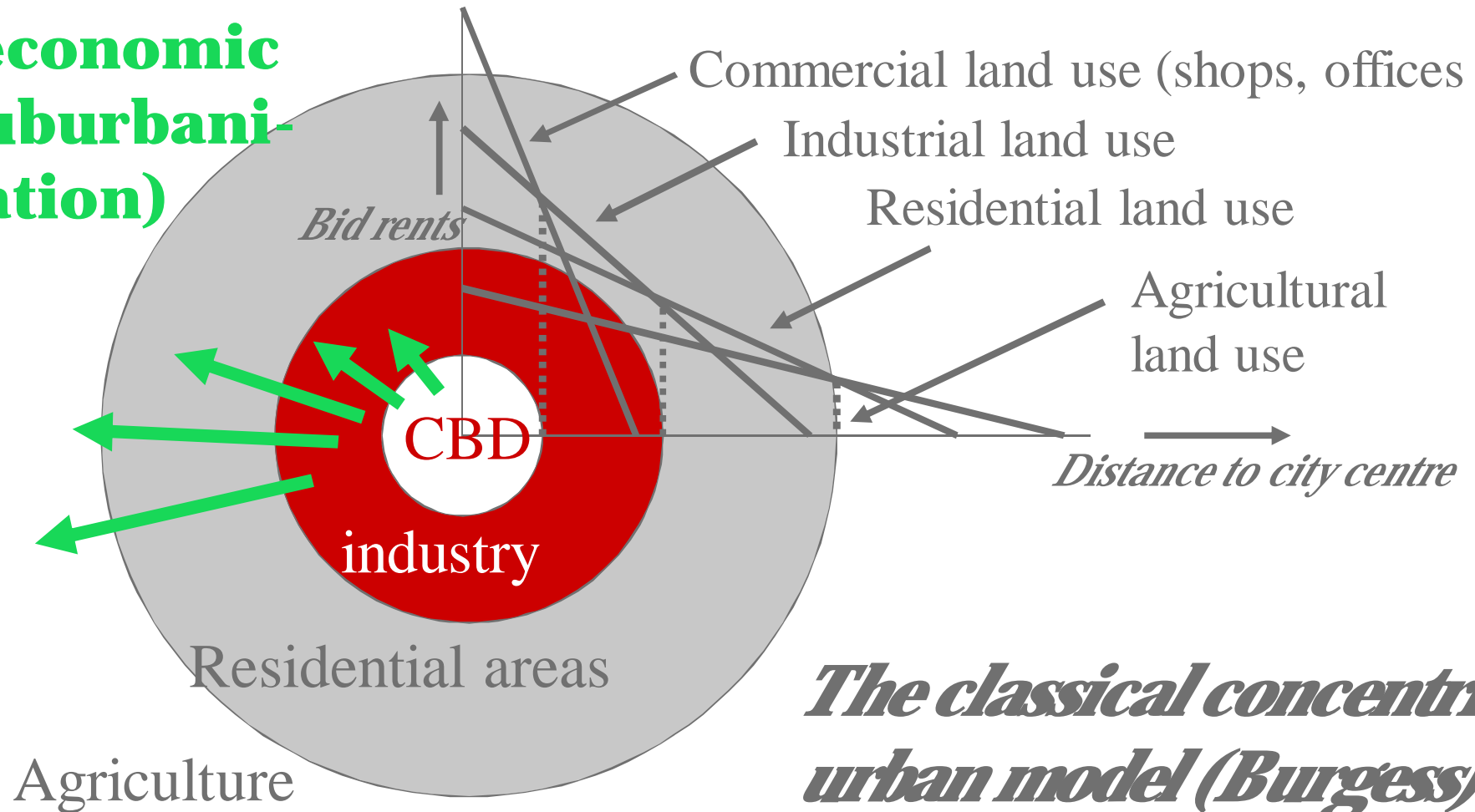
- › Firms tend to move from core regions to peripheries (where wages are lower)
- › This fits the ‘spread effects’ from Myrdal’s theory of cumulative causation (1950s)
- › We can see this ‘spread’ all through the 2nd half of the 20th century, both on a continental scale and within individual countries
- › These spread effects are very interesting from a regional development perspective!
- › Firm movement is important in regional development policy





Short distance movement of firms

(economic
suburbanisation)



*The classical concentric
urban model (Burgess)*



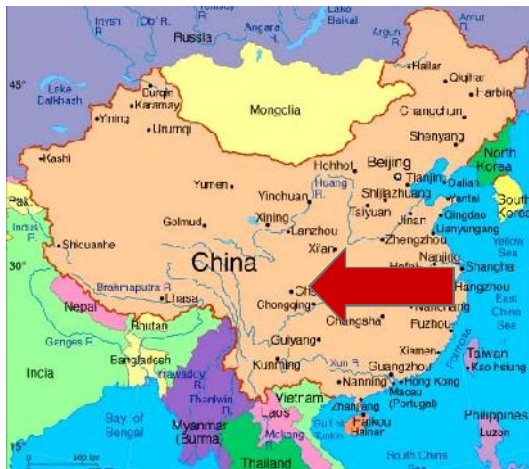
Short distance movement of firms

- › In terms of numbers of firms: much more frequent than long distance migration
- › In terms of employment: less impressive, because this concerns mainly small firms
- › Quite different migration motives: not cheap labour, but space for expansion
- › Related theory: the incubator hypothesis by Struyck and Leone (1970s)



Two different stories of firm migration:

continental

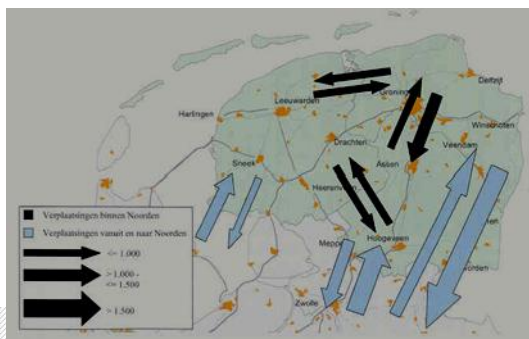


Long distance – short distance

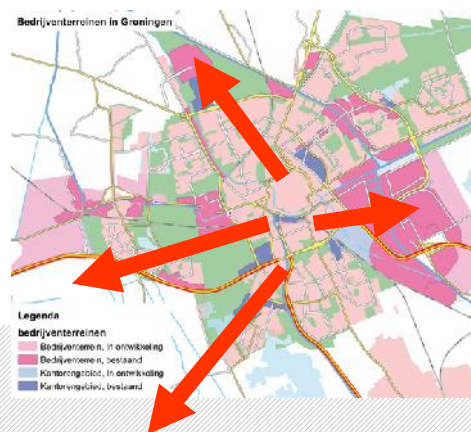
Big firms – small firms

FDI – SME

theories of Myrdal – Leone and Struyck



regional



urban



A different approach: the demography of firms

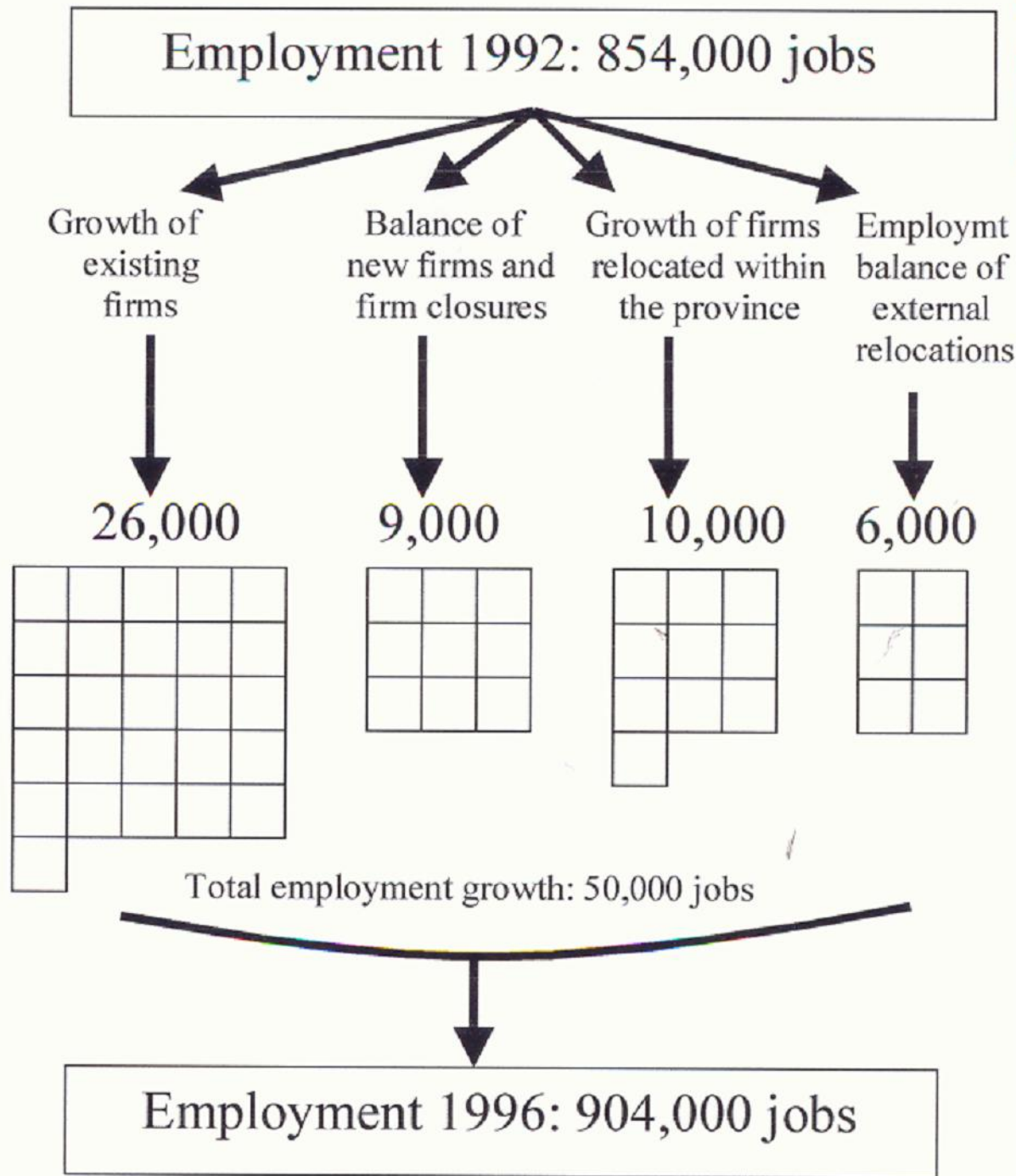
- > Firm demography is the application of demographic models in the analysis of regional economic growth or decline
- > Instead of populations of people, populations of firms are analysed
- > Economic growth or decline of a city, region, or nation is unraveled into the components of growth: the birth, death and migration of firms



COMPONENTS OF CHANGE

- > **NEW FIRMS**
 - > **FIRM CLOSURES**
 - > **FIRM IMMIGRATIONS**
 - > **FIRM EMIGRATIONS**
 - > **GROWTH OF FIRMS**
 - > **DECLINE OF FIRMS**

 - > **OLD FIRMS?**
 - > **MERGERS?**
 - > **BREAK-UPS?**
- GROWTH OF FIRM POPULATION**
- MIGRATION SURPLUS/SHORTAGE**
- GROWTH OF EMPLOYMENT IN EXISTING FIRMS**
-
- OVERALL GROWTH**



**An example:
the analysis of the total
employment shift in one of
the provinces of the
Netherlands (North
Brabant) in the period
1992-1996**

**Relocations within and
in/out of the province
account for almost one
third of the total
employment shift.**

**The balance of new firms
and firm closures accounts
only for 20% of the total
shift**



Firm migration as a part of the total firm mutation balance for the Netherlands as a whole (average numbers over 2001/2003; Source: VVK 2003)

	Number of new firms	Number of firm closures	Result: natural growth	Number relocated firms	Of which over long distance
Establishments	91,300	55,000	36,300	64,300	12,900
Employees	125,500	120,800	4,700	231,000	48,100



The problem of measurement: what exactly is a firm migration?

- › **X moves totally from A to B (integral move)**
- › **X moves partially from A to B (partial move)**
- › X from A contracts out to Y in B
- › X and Y from A and B start a new joint venture in C
- › X and Y from A and B merge, and locate in A or B
- › X and Y from A and B merge, and locate in C
- › X changes to Y and moves from A to B
- › etcetera

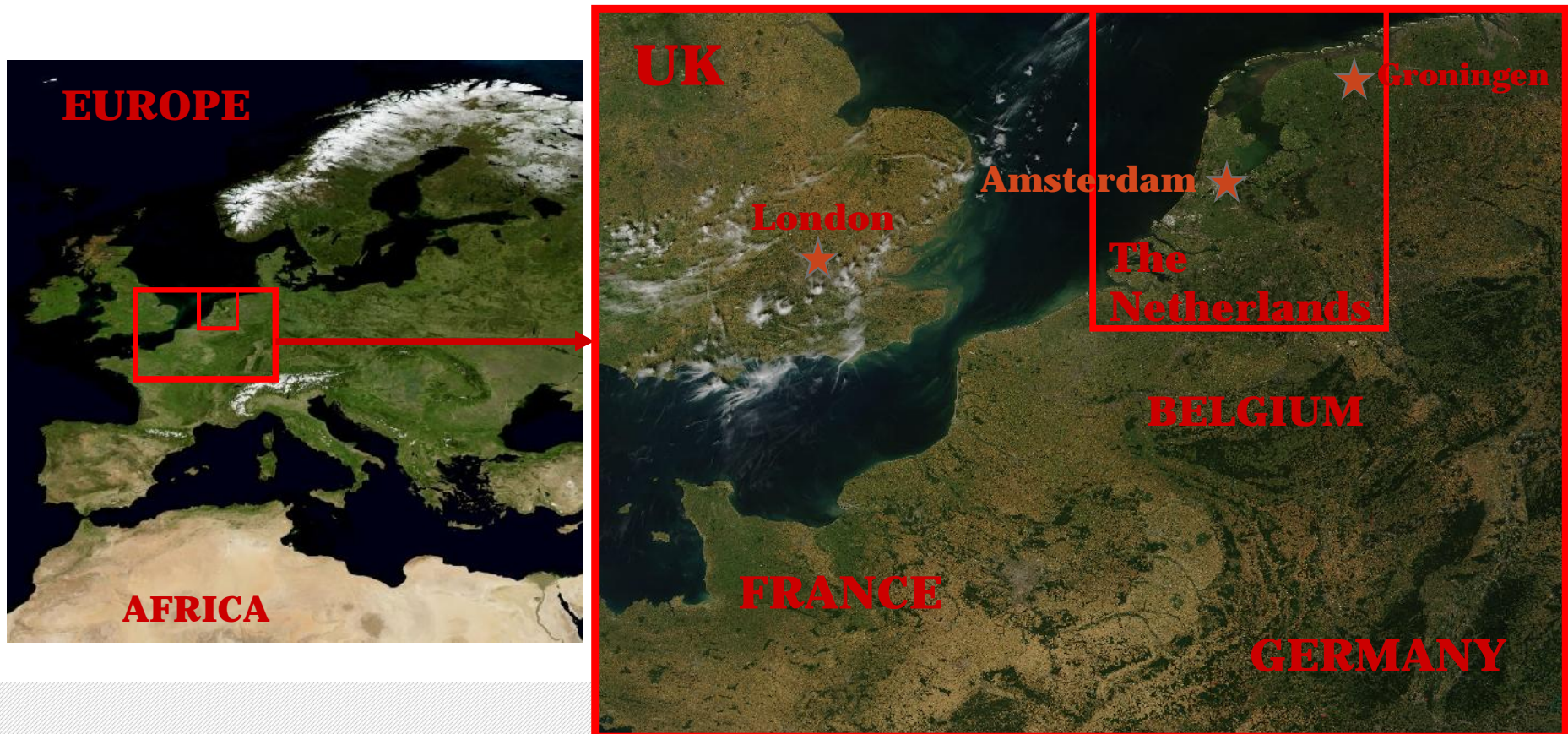


The problem of data: not many countries have a sound registration of firm migrations

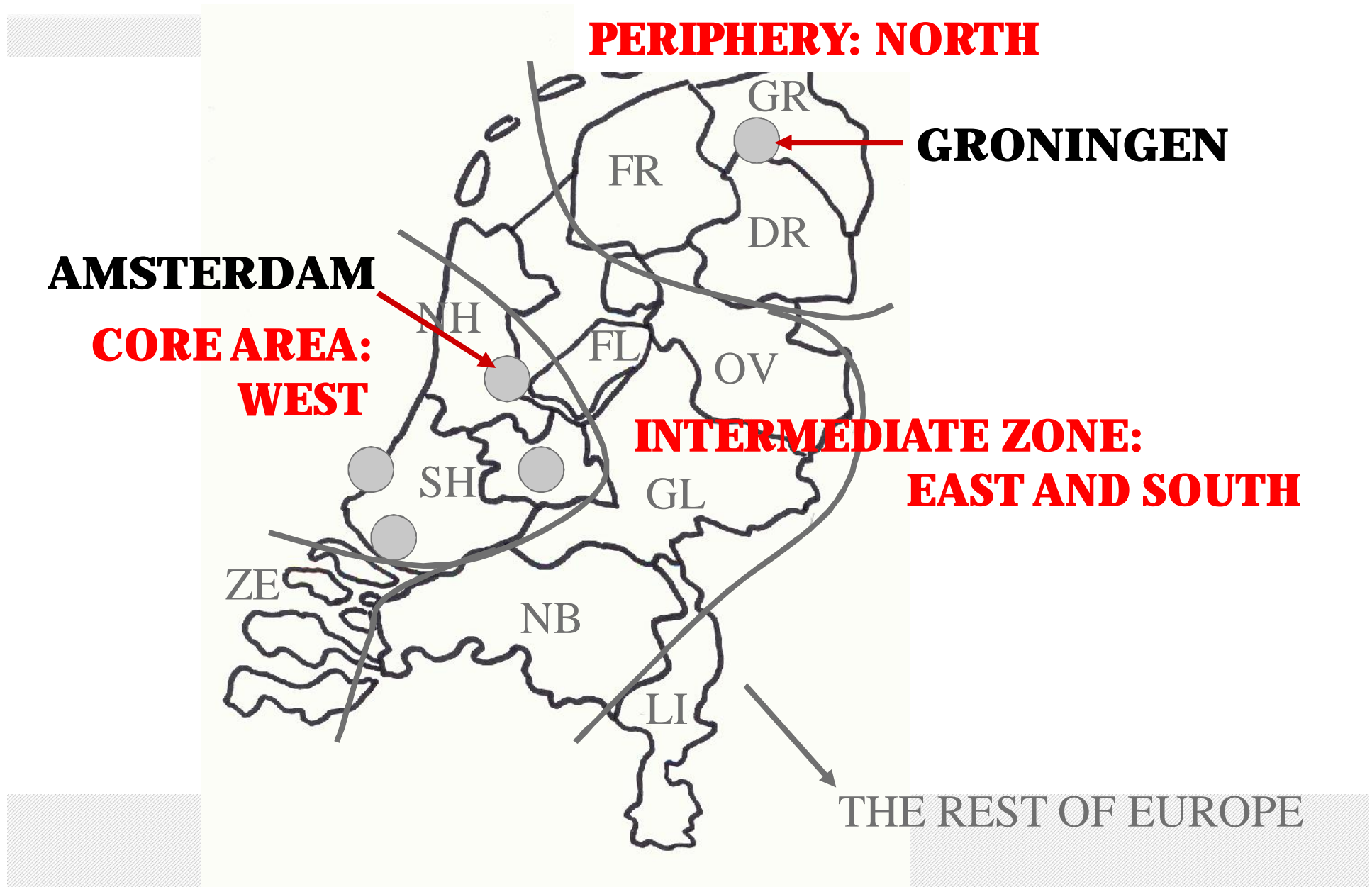
- › No firm registration at all
- › Only commercial but no official registers
- › Only actualisation of firm registrations but no keeping of *migration* data
- › Regional variations of firm migration registration
- › Only registration of migrations within, but not between regions
- › Only within but not between countries
(= the main problem in Europe!)



A selection of results of firm migration research in the Netherlands – *where do we find that country?*



The Netherlands: Core and Periphery





A selection of results of firm migration research in the Netherlands:

**The oldest records (1950-1962, SISWO; only
industrial firms with 10 and more employees)**

To:	North	East	West	South
From:				
North	89	15	2	1
East	31	164	6	15
West	117	159	321	114
South	4	21	3	189



A selection of results of firm migration research in the Netherlands:

Firm migration in the Netherlands in the 1950s

Long distance

- > (>30 kms)

Deconcentration to periphery

- > big firms
- > partial migrations
- > low-skilled employees
- > dominant migration factor:
the labour market

Short distance

- > (< 30 kms)

Suburbanisation of firms

- > small firms
- > integral migrations
- > higher qualified employees
- > dominant migration factors: expansion space and accessibility



A selection of results of firm migration research in the Netherlands: **the Period 1965-1985**

- › No national data available
- › Just local and regional studies
- › Impression from these studies:
 - › *deconcentration to the periphery fades away*
 - › *labour market is not a migration factor any more*
 - › *urban overspill (economic suburbanisation) increases*
 - › *shortage of space now migration motive nr.1*
 - › *wholesale replaces manufacturing as most mobile sector*
 - › *after that, business services become the most mobile sector*



Interprovincial firm migration **after 1985**

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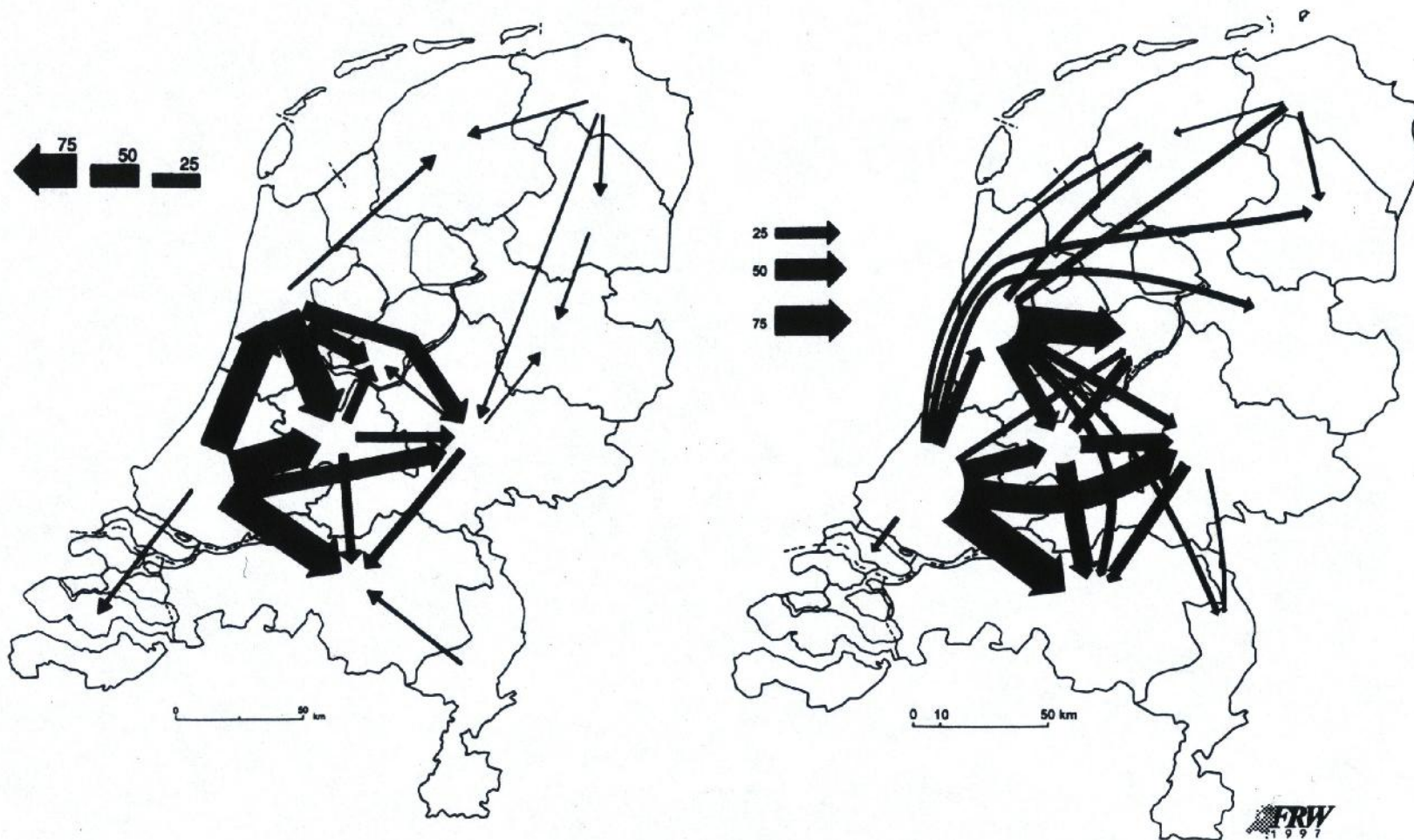
(balance of firms going in and out)

average over	88/89	90/91	92/93	94/95
GRONINGEN	m 45	m 33	m 14	m 45
FRIESLAND	+ 3	+ 31	+ 38	+ 51
DRENTHE	+ 26	+ 20	+ 24	+ 41
OVERIJSSSEL	m 35	+ 8	+ 10	+ 3
FLEVOLAND	+ 66	+ 88	+ 130	+ 136
GELDERLAND	+ 17	+ 74	+ 69	+ 107
UTRECHT	+ 97	+ 88	m 1	m 31
NOORD HOLLAND	m 51	m 119	m 79	m 172
ZUID HOLLAND	m 152	m 289	m 353	m 314
ZEELAND	m 10	+ 18	+ 33	+ 14
NOORD BRABANT	+ 89	+ 115	+ 130	+ 201
LIMBURG	m 5	0	+ 15	+ 10

(Figures from the Dutch Chambers of Commerce; Kemper&Pellenbarg 1997)

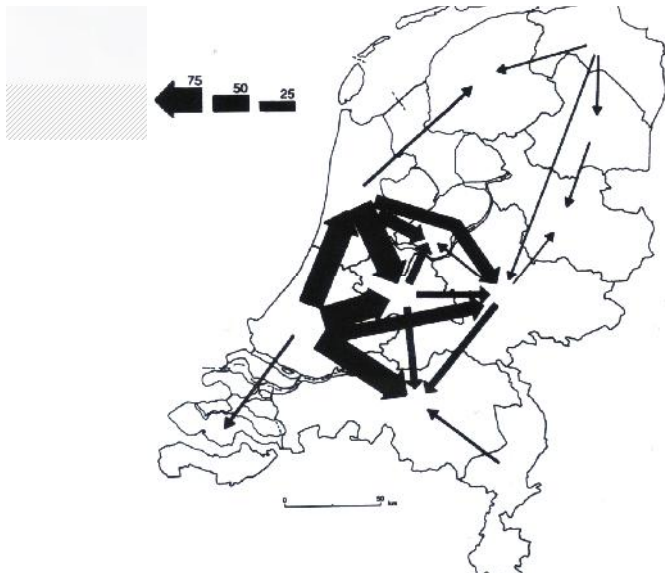
INTERPROVINCIAL FIRM MIGRATION (balance of in- and outgoing migrations)

1990/1991 **1994/1995**

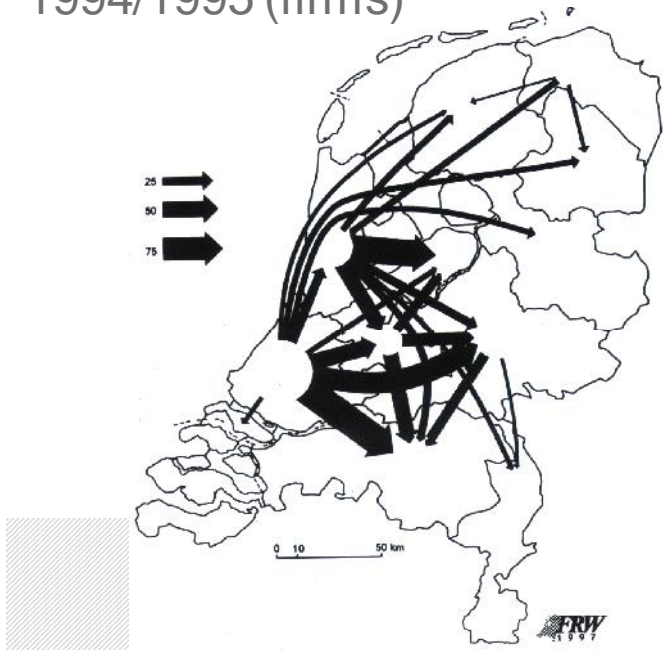


Source: Kemper and Pellenbarg 1993, 1997

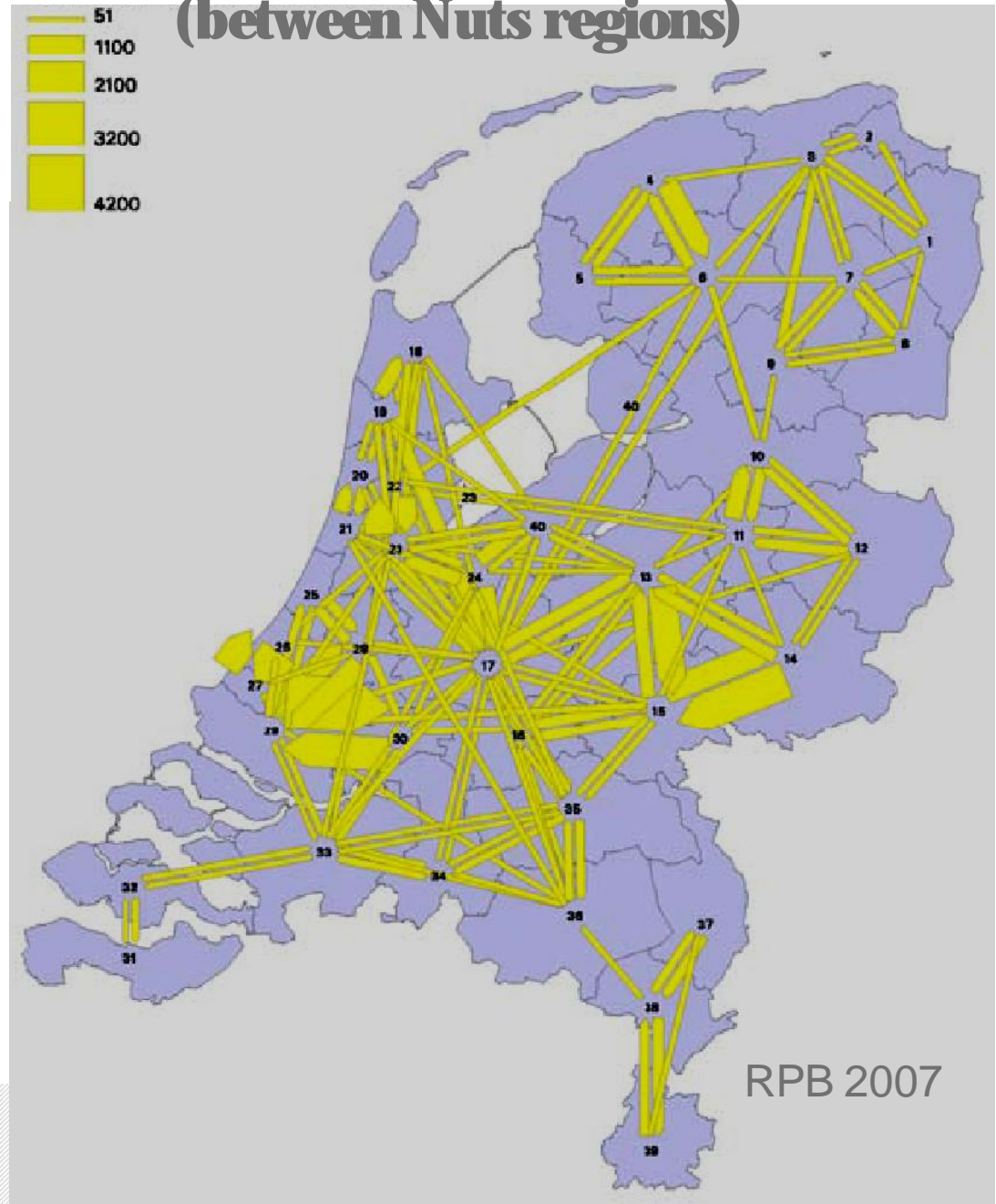
Interprovincial firm migration
1990/1991 (firms)



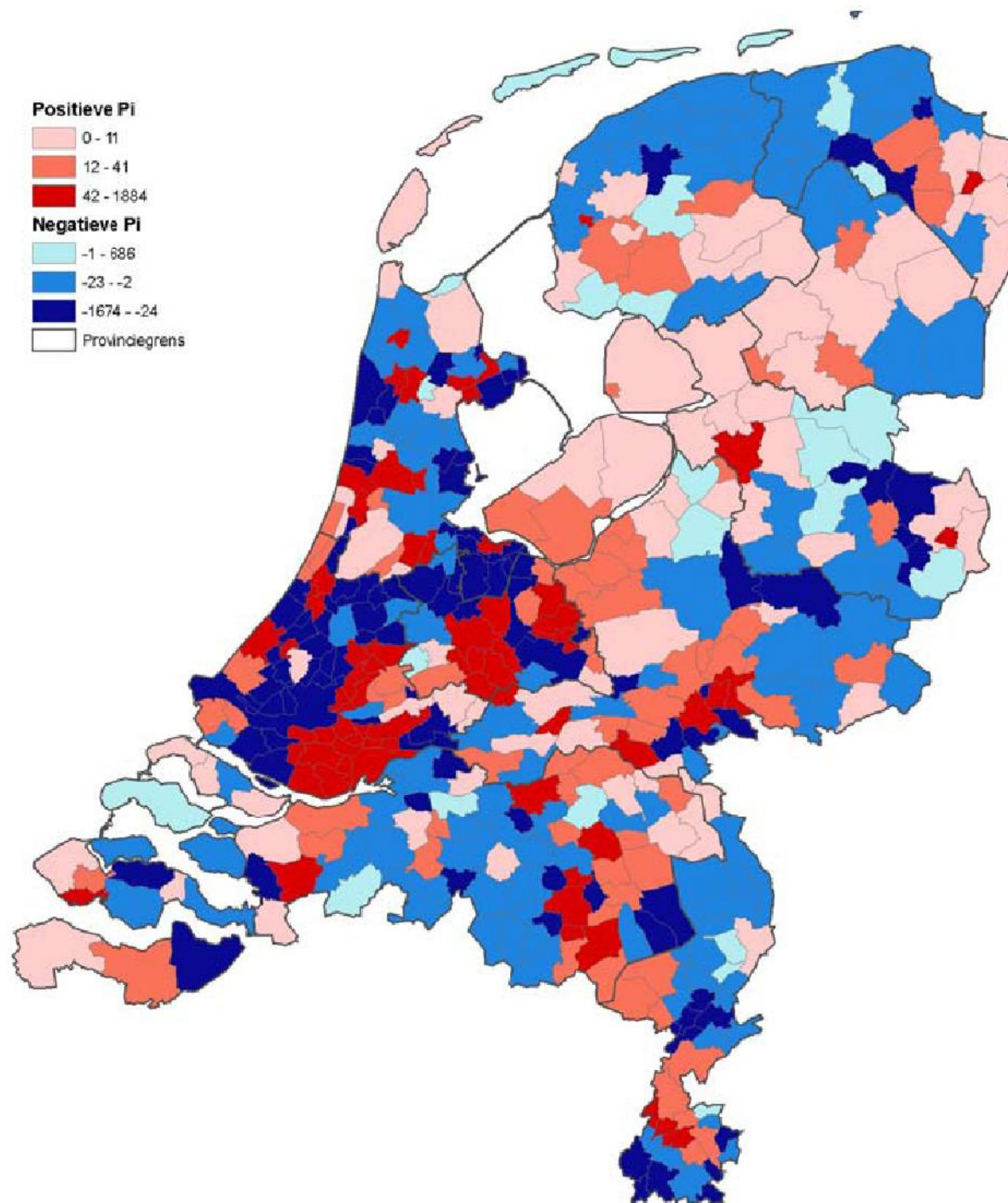
Interprovincial firm migration
1994/1995 (firms)



Firm Migration (jobs) 1999-2006 (between Nuts regions)



Firm migration
balance
(employment
figures)
per municipality,
1999-2006 total





Progress in firm migration research

- › **Migration motives**
- › Phases in the migration decision
- › Relocation and firm performance
- › Relocation and firm networks
- › Relocation and satisfaction
- › Relocation within cities
- › International comparisons
- › International relocations
- › Firm migration in N-America, Asia,



Firm Migration: Push factors

1977	1988	1999	2008
Expansion space	Expansion space	Expansion space	Expansion space
Organisational reasons	Organisational reasons	Organisational reasons	Organisational reasons
Bad premises	Local traffic situation	Expected future growth	Expected future growth
Termination of rent	Bad premises	Unrepresentative building	Unrepresentative building
Unattractive surroundings	Unrepresentative building	Bad premises	Bad premises



Firm Migration: Pull factors

1977	1988	1999	2008
Expansion space available	Central location	Central location	Central location
Organisational reasons	Expansion space available	Representative building	Representative building
Good premises available	Local traffic situation good	Expansion space available	Good premises available
Central location	Low price land and premises	Good premises available	Low price land and premises
Local traffic situation good	Accessible for clients	More parking space	Attractive surroundings



Progress in firm migration research

- › Migration motives
- › **Phases in the migration decision**
- › Relocation and firm performance
- › Relocation and firm networks
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Phases in the relocation decision process (1)

- > Not all location factors appear at the same time in the process; some factors influence earlier stages, other factors dominate later stages
- > Average duration of relocation process 27 months (Pen, 2002)



Phases in the relocation decision process (2)

- › Townroe(1972, 1973) *stimulus - problem definition – search – comparison of alternatives – choice and action*
- › Louw(1996) *orientation–selection–negotiation*

	<i>Phase</i> (% of all mentioned factors, per phase)			
<i>Factor type</i>	Orientation	Selection	Negotiation	Total
Engineering	15.2	12.3	7.1	11.9
Functional	19.4	18.4	7.1	16.1
Technical	3.1	4.2	2.0	3.4
Financial	12.2	14.2	52.5	22.5
Location	43.9	36.0	12.1	32.3
Other	6.1	14.6	19.2	13.8
Total	100.0	100.0	100.0	100.0



Progress in firm migration research

- › Migration motives
- › Phases in the migration decision
- › Relocation and firm performance
- › Relocation and firm networks
- › **Relocation and satisfaction**
- › Relocation within cities
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- › International relocations
- › Firm migration in N-America, Asia,



Relocation and satisfaction (1)

> *General rule.*

two years after relocation, *one out of three* decision makers says he would make a different choice now



Relocation and satisfaction (2)

- > Among the 2001 manufacturing industry relocations in the Netherlands, 'regretters' amounted *one to four*
- > Interestingly, the *regret % was higher* among those who *searched more seriously*

Satisfied on new location (%)		Considered alternative locations? (%)		
		YES	NO	Total
YES	73	88	82	
NO	27	13	18	
Total	100	100	100	

Source:
Schuilenburg 2004



Relocation and satisfaction (3)

- › *In theory:*
more intensive search > better choice result > more satisfaction
- › *In practice:*
more intensive search > higher expectations > sooner disappointed
- › Results confirm recent insights from decision theorists:
more thinking and arguing leads to dissatisfied deciders
- › Is expert location advice to relocating firms potentially harmful???



Relocation and satisfaction (4)

> a more elaborate assessment of decision making and satisfaction among 18 relocation cases (Adema 2003)

Decision making:

- > External advice yes/no
- > More phases yes/no
- > Use of standardized procedures yes/no
- > Many/few alternatives
- > More/less weight to objective factors

----- +

- > Total score max. 8 pts

Satisfaction:

- > Generally satisfied yes/no
- > All demands met yes/no
- > Specific disappointments yes/no
- > New location better/worse
- > Would choose this location again yes/no

----- +

- > Total score max. 5 pts



rijksuniversiteit
groningen



(18 firms, 3-360 empl; av. 57)

MORE RATIONAL

LESS RATIONAL

<i>Satisfaction</i>		<i>Rationality</i>	
BERNARD ELETRONIC WHOLESALE	5	JOHNSON POLYMER	8
SCHILDERSWACHT PAINTERS	5	EFKA ADDITIVES	6
VAN DE LEUR	4	DECORETTE	6
ESBE AUTOMOBILES	4	ICARE	6
NOORD NEGENTIG	4	TEEWES PRINTERS	2
DECORETTE	4	VAN DE LEUR	2
NORIT NEDERLAND	2	NORIT NEDERLAND	1
JOHNSON POLYMER	2	ESBE AUTOMOBILES	0
BOSSERS AND CNOSSEN	1	BERNARD ELETRONIC WHOLESALE	0
VIADATA AUTOMATISERING	1	SCHILDERSWACHT PAINTERS	-1
EFKA ADDITIVES	0	BOSSERS AND CNOSSEN	-2
ICARE	0	NOORD NEGENTIG	-3
HANS DE HAAN CALCUL. SYSTEMS	0	REMMERS SAFE BV	-3
EFFICIENT CLEANING COMPANY	0	DE BOER CAR DAMAGE	-3
REMMERS SAFE BV	0	EFFICIENT CLEANING COMPANY	-4
TEEWES PRINTERS	-1	CSS COMPUTER SOLUTIONS	-4
DE BOER CAR DAMAGE	-2	VIADATA AUTOMATISERING	-5
CSS COMPUTER SOLUTIONS	-3	HANS de HAAN CALCUL. SYSTEMS	-6



Relocation and satisfaction (6)

Most of the satisfied deciders made rational location decisions;

But

Half of the irrational deciders were rather or even quite happy with their locations

MORE RATIONAL		LESS RATIONAL	
<i>SATISFACTION</i>		<i>RATIONALITY</i>	
BERNARD ELETRONIC WHOLESAL	5	JOHNSON POLYMER	8
SCHILDERSWACHT PAINTERS	5	EFKA ADDITIVES	6
VAN DELEUR	4	DECORETTE	6
ESBE AUTOMOBILES	4	ICARE	6
NOORD NEGENTIG	4	T EEWESPRINTERS	2
DECORETTE	4	VAN DELEUR	2
NORIT NEDERLAND	2	NORIT NEDERLAND	1
JOHNSON POLYMER	2	ESBE AUTOMOBILES	0
BOSSERS AND CNOSSEN	1	BERNARD ELETRONIC WHOLESAL	0
VIADATA AUTOMATISERING	1	SCHILDERSWACHT PAINTERS	-1
EFKA ADDITIVES	0	BOSSERS AND CNOSSEN	-2
ICARE	0	NOORD NEGENTIG	-3
HANS DE HAAN CALCUL. SYSTEMS	0	REMMERS SAFE BV	-3
EFFICIENT CLEANING COMPANY	0	DE BOER CAR DAMAGE	-3
REMMERS SAFE BV	0	EFFICIENT CLEANING COMPANY	-4
T EEWESPRINTERS	-1	CSS COMPUTER SOLUTIONS	-4
DE BOER CAR DAMAGE	-2	VIADATA AUTOMATISERING	-5
CSS COMPUTER SOLUTIONS	-3	HANS de HAAN CALCUL. SYSTEMS	-6

No perfect match between rationality and satisfaction



Conclusions (1)

- › We have limited knowledge about the actual *spatial patterns* of firm relocation
- › We especially lack an understanding of *differences between countries*
- › There is too little information on firm migration *between countries*
- › We know rather much about the push and pull *factors that explain* the relocations
- › New relocation studies should focus less on the external location factors that dominate the orientation and selection phases, and more on factors of the negotiating phase: *premises, and government incentives* (Pen)



Conclusions (2)

- > Location studies that don't differentiate between phases *oversimplify* the process
- > The variety of phases in the decision making process *prevents easy modeling*
- > Modelling should be as basis for a *better match* between firms and their locations
- > But: there is no perfect match between rationality of the decision making process and the *location satisfaction* afterwards
- > More research should be targeted to aspects of firm migration like *relocation and firm performance, relocation and firm networks, relocation and satisfaction, relocation within cities*
- > We certainly need more information about firm relocation in *Asian countries, especially China!*



Thank you for your attention!

