



# Firm Migration

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## Dia 1

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### 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

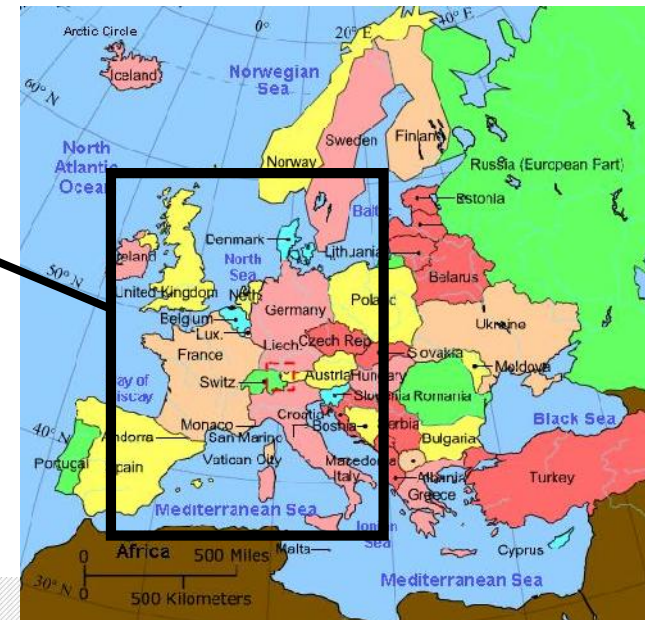
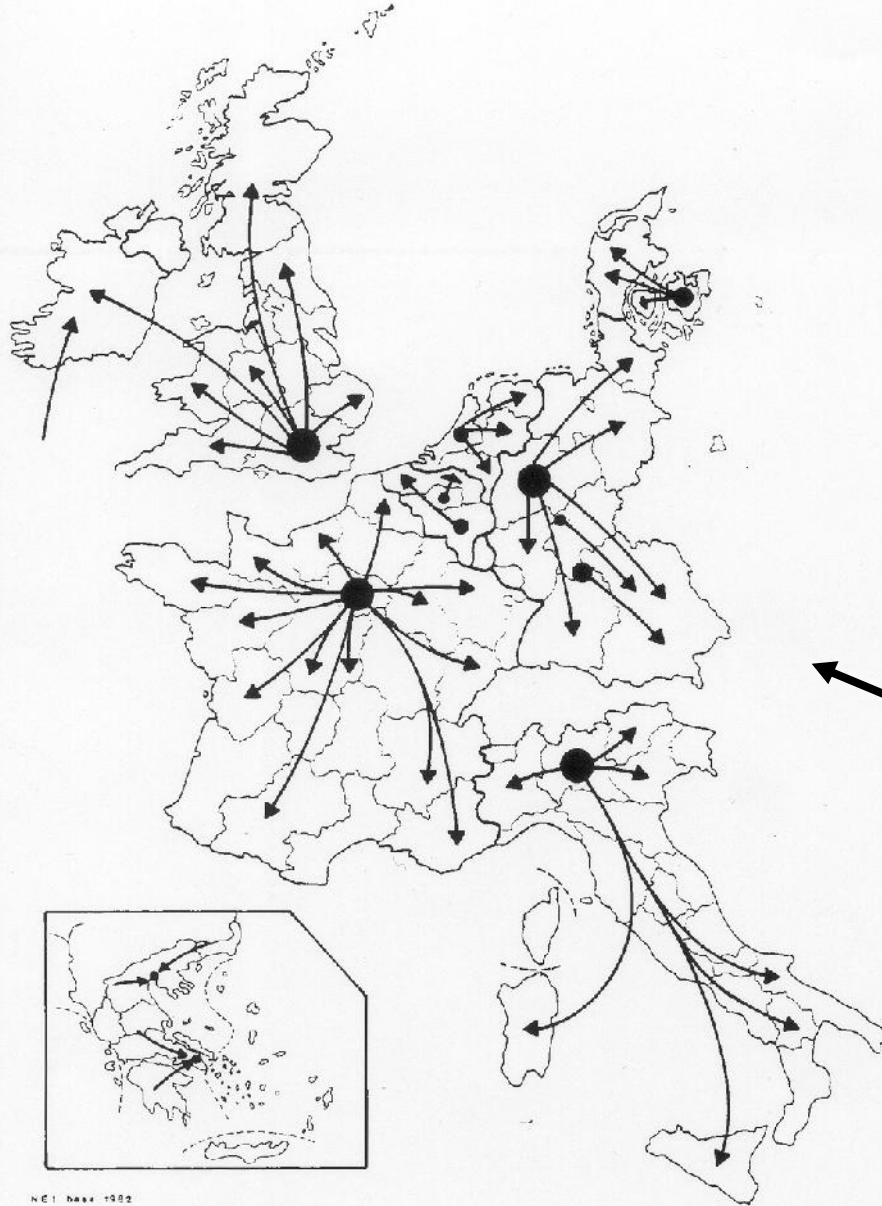
by McLaughlin  
& Robock (1949)





# 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

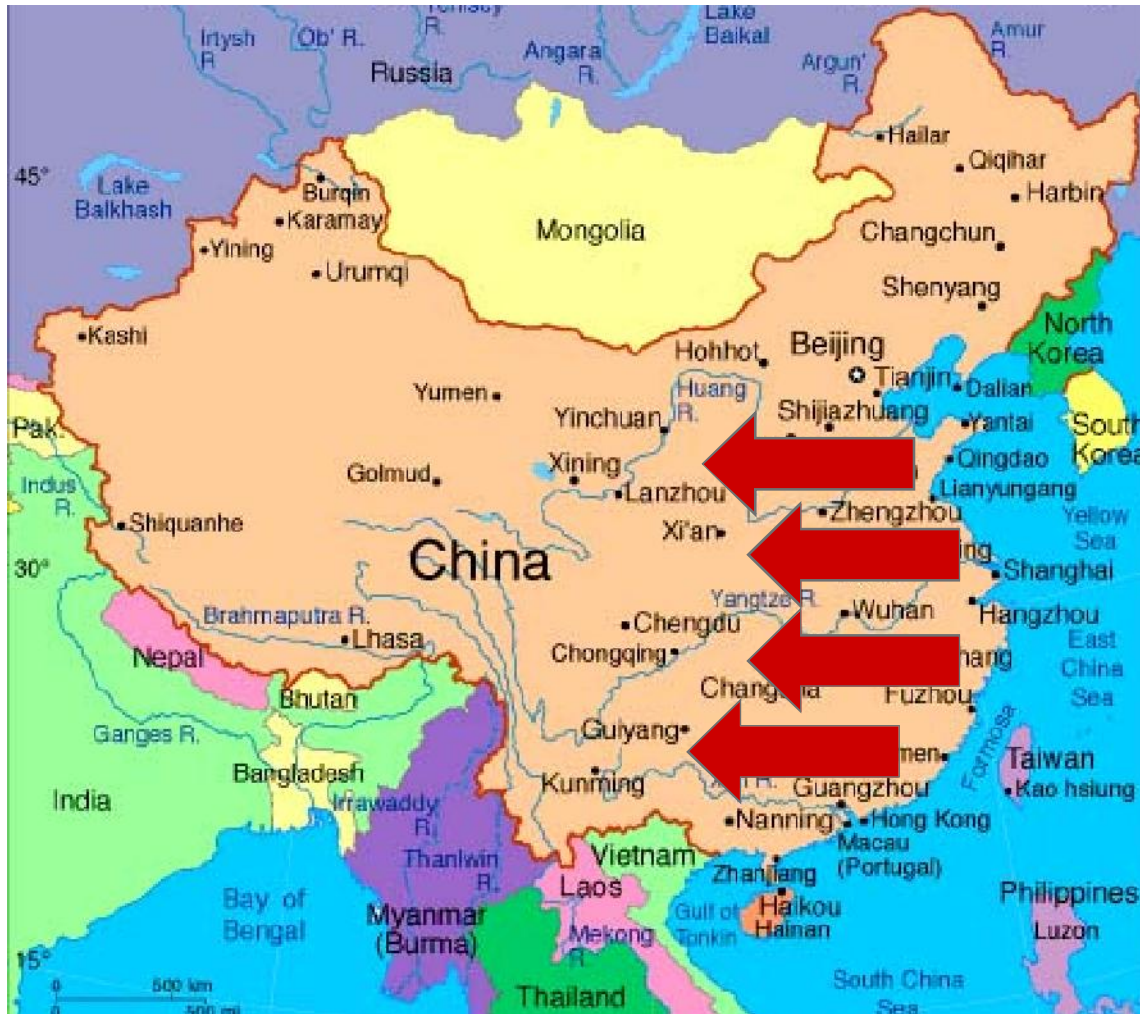
Verkoren (2008)





# Cross border firm migration in Europe since 1990





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





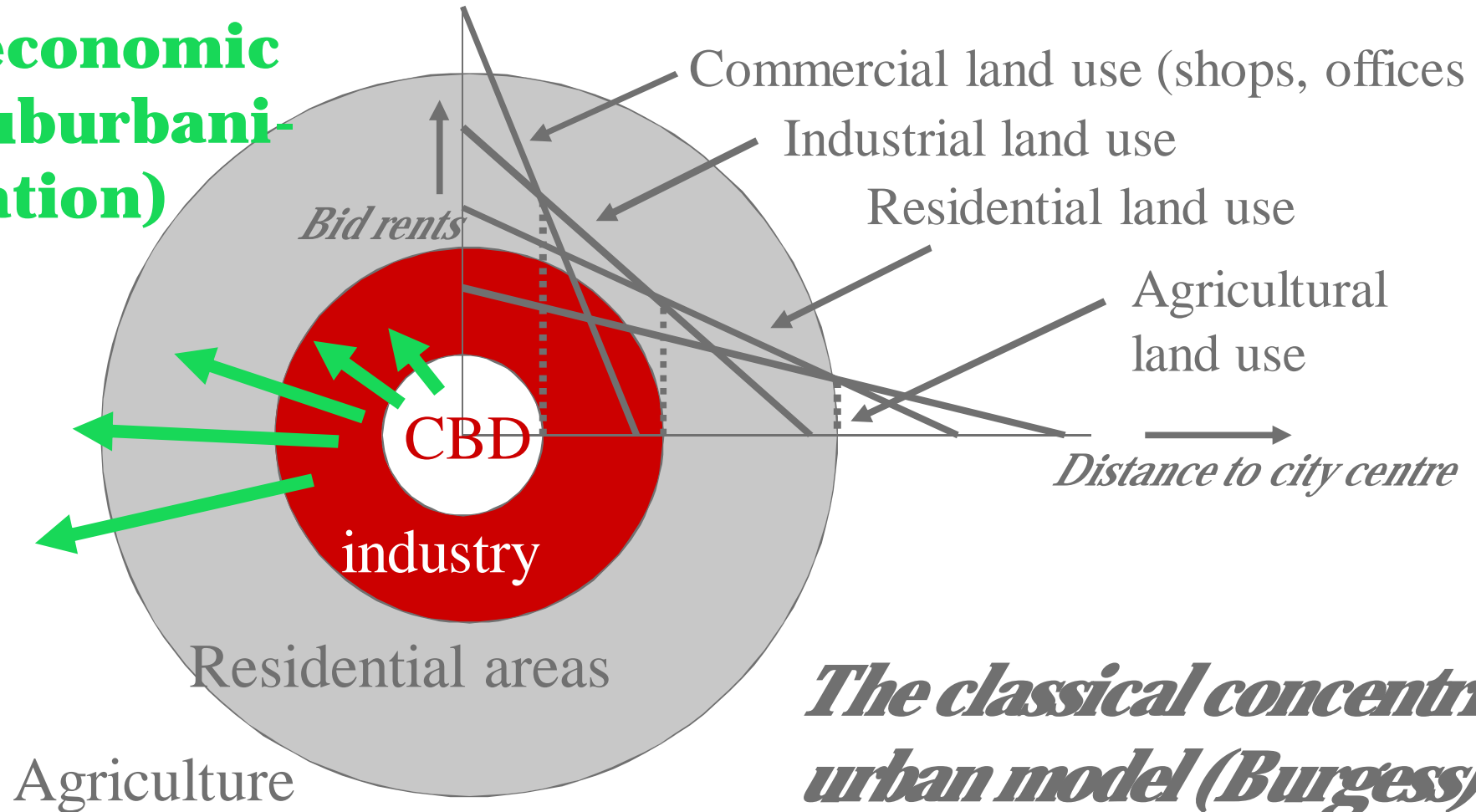
## What do these maps tell us?

- › 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)*



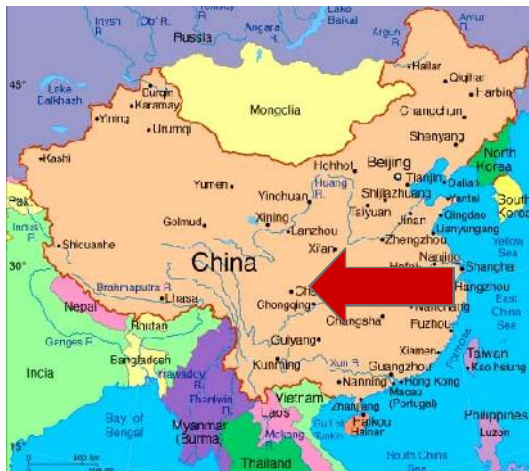
## Short distance movement of firms

- › 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

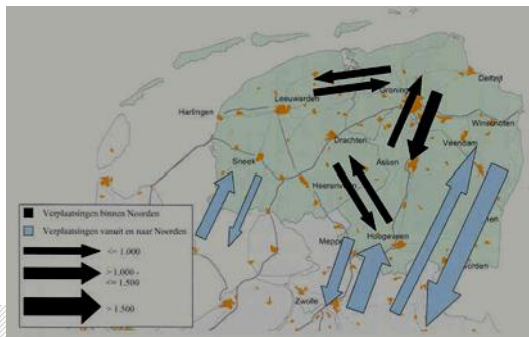


Long distance – short distance

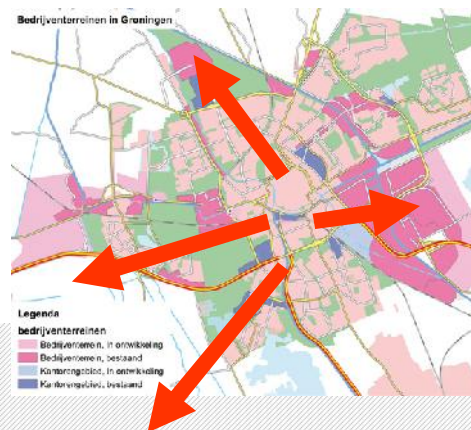
Big firms – small firms

FDI – SME

theories of Myrdal – Leone and Struyck



regional



urban



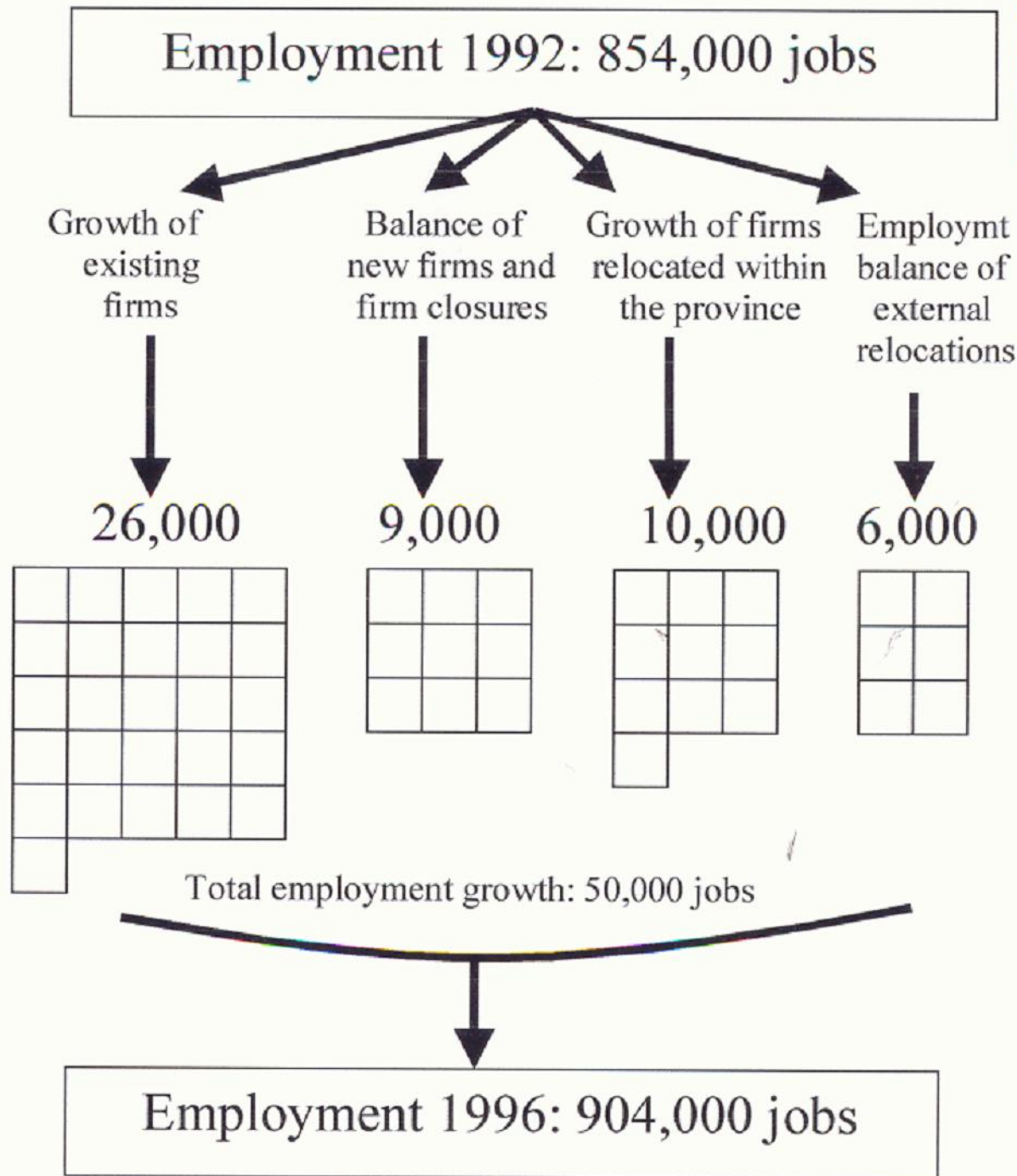
## A different approach: the demography of firms

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

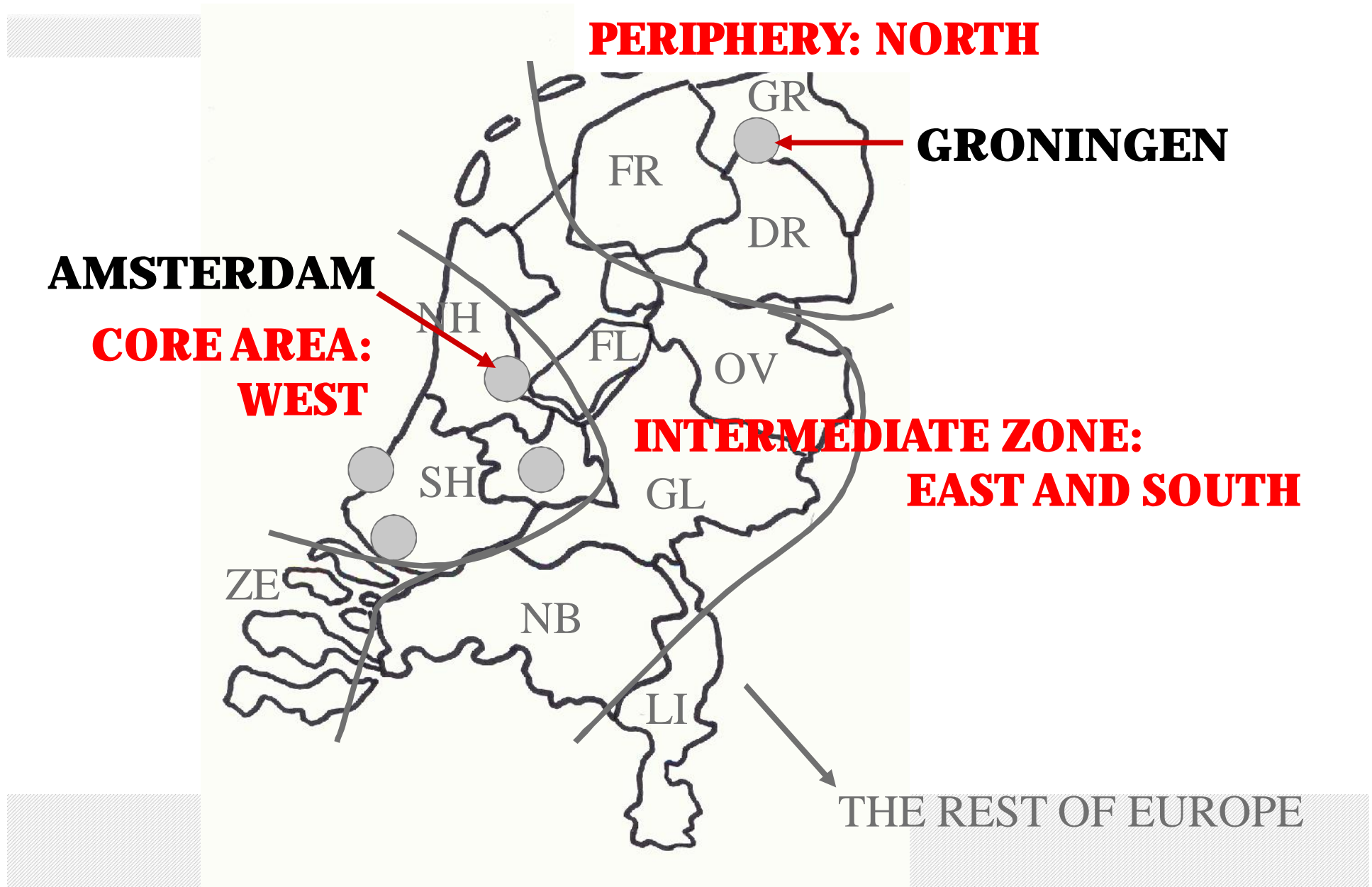
- › No firm registration at all
- › Only commercial but no official registers
- › Only actualisation of firm registrations but no keeping of *migration* data
- › Regional variations of firm migration registration
- › Only registration of migrations within, but not between regions
- › Only within but 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)

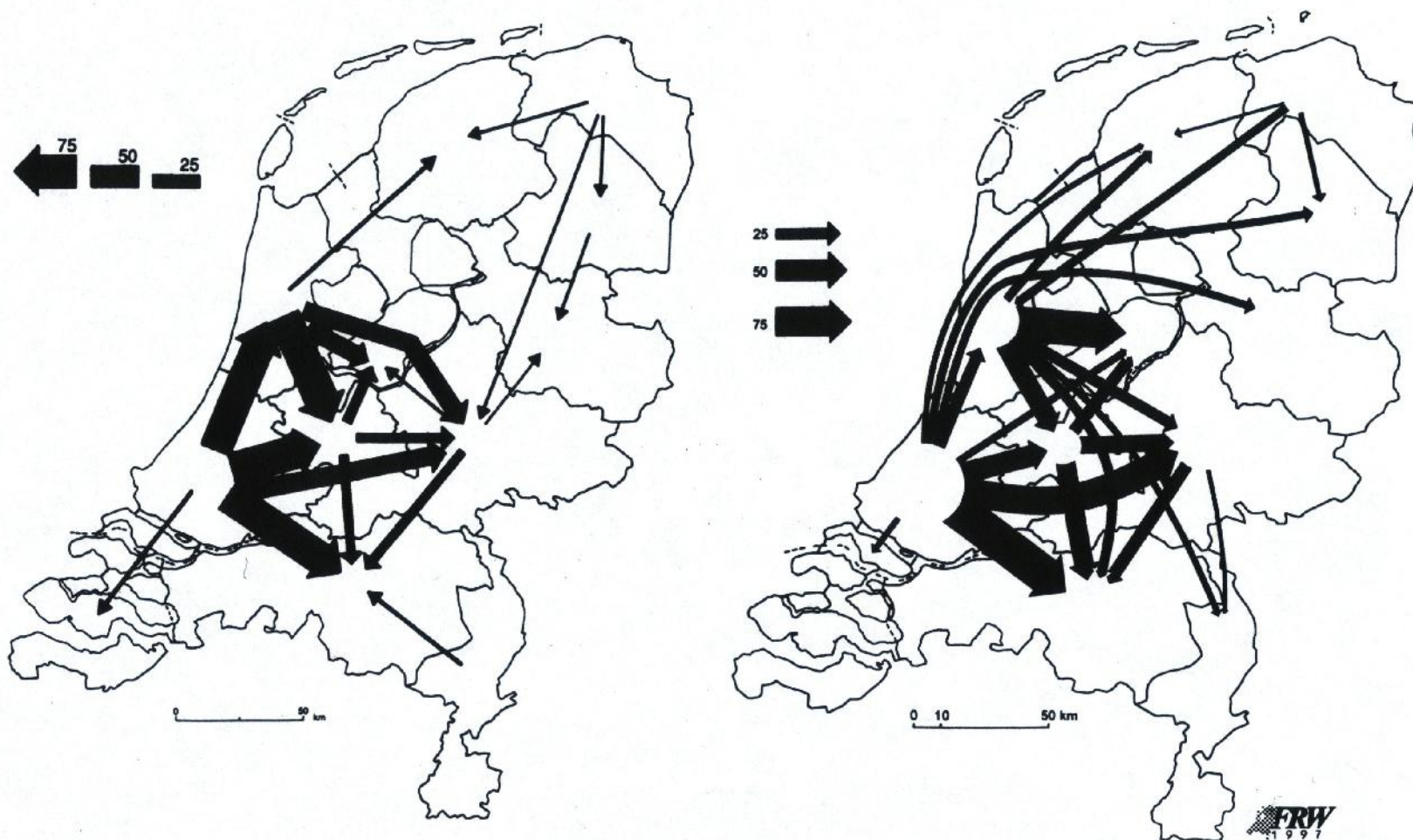
average over	88/89	90/91	92/93	94/95
GRONINGEN	m 45	m 33	m 14	m 45
FRIESLAND	+ 3	+ 31	+ 38	+ 51
DRENTHE	+ 26	+ 20	+ 24	+ 41
OVERIJSSEL	m 35	+ 8	+ 10	+ 3
FLEVOLAND	+ 66	+ 88	+ 130	+ 136
GELDERLAND	+ 17	+ 74	+ 69	+ 107
UTRECHT	+ 97	+ 88	m 1	m 31
NOORD HOLLAND	m 51	m 119	m 79	m 172
ZUID HOLLAND	m 152	m 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)



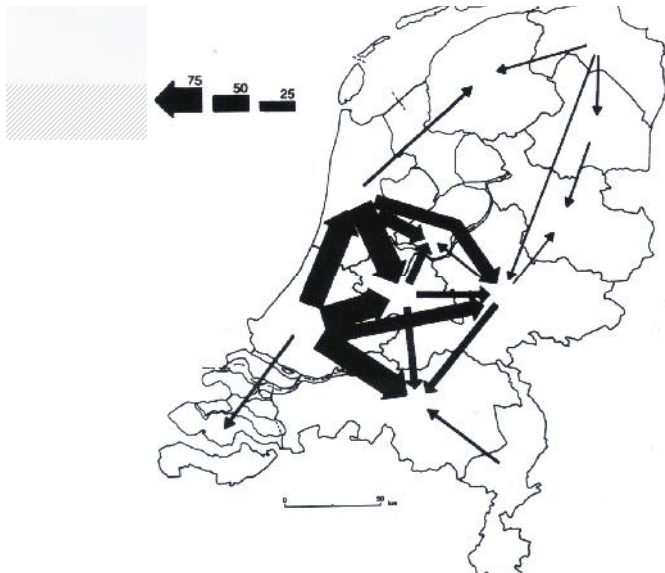
# INTERPROVINCIAL FIRM MIGRATION (balance of in- and outgoing migrations)

**1990/1991** **1994/1995**

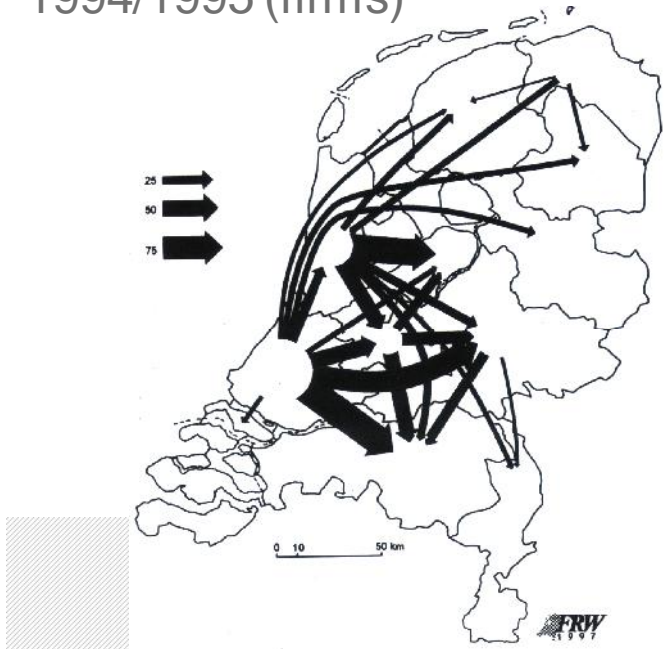


Source: Kemper and Pellenbarg 1993, 1997

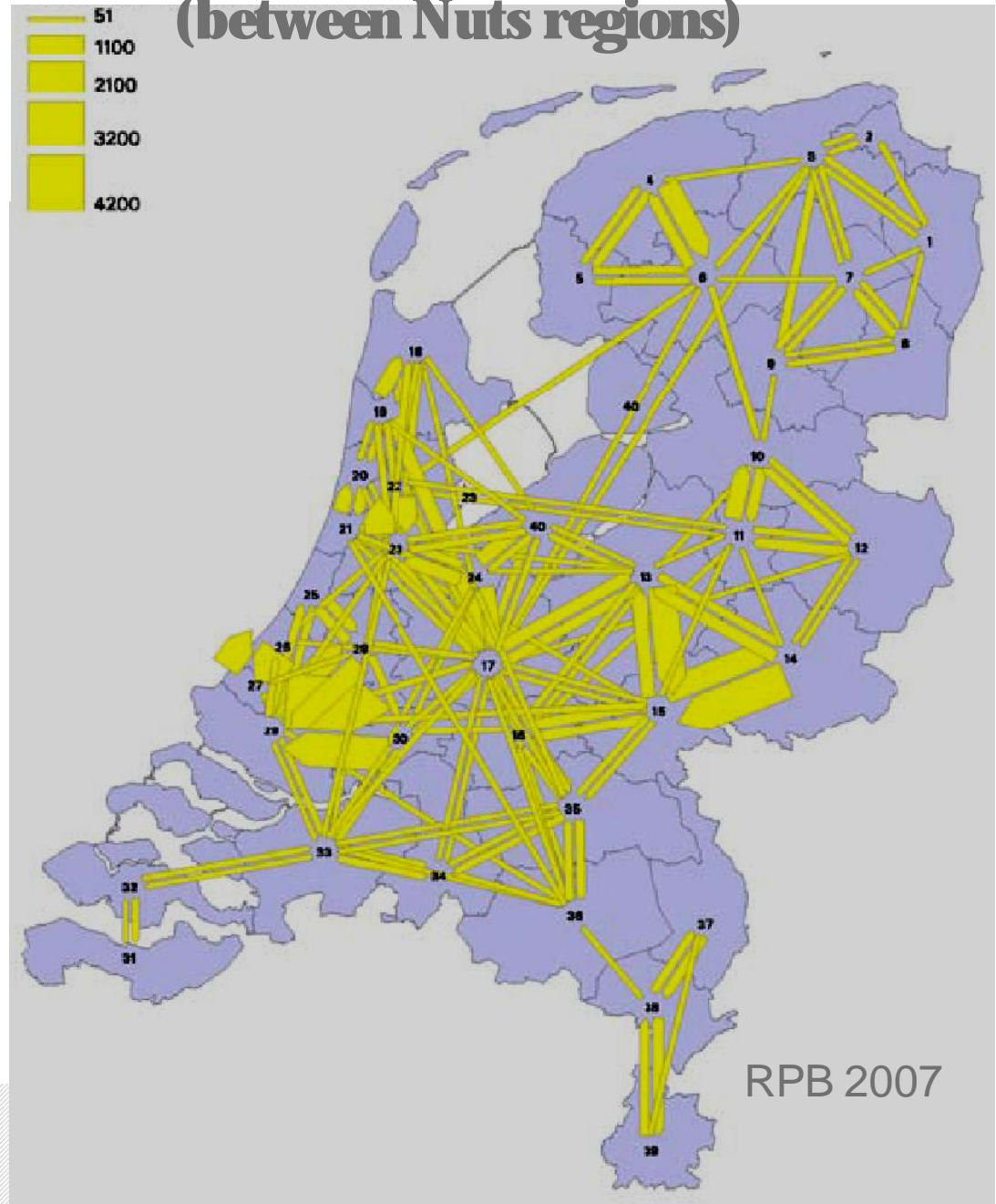
Interprovincial firm migration  
1990/1991 (firms)



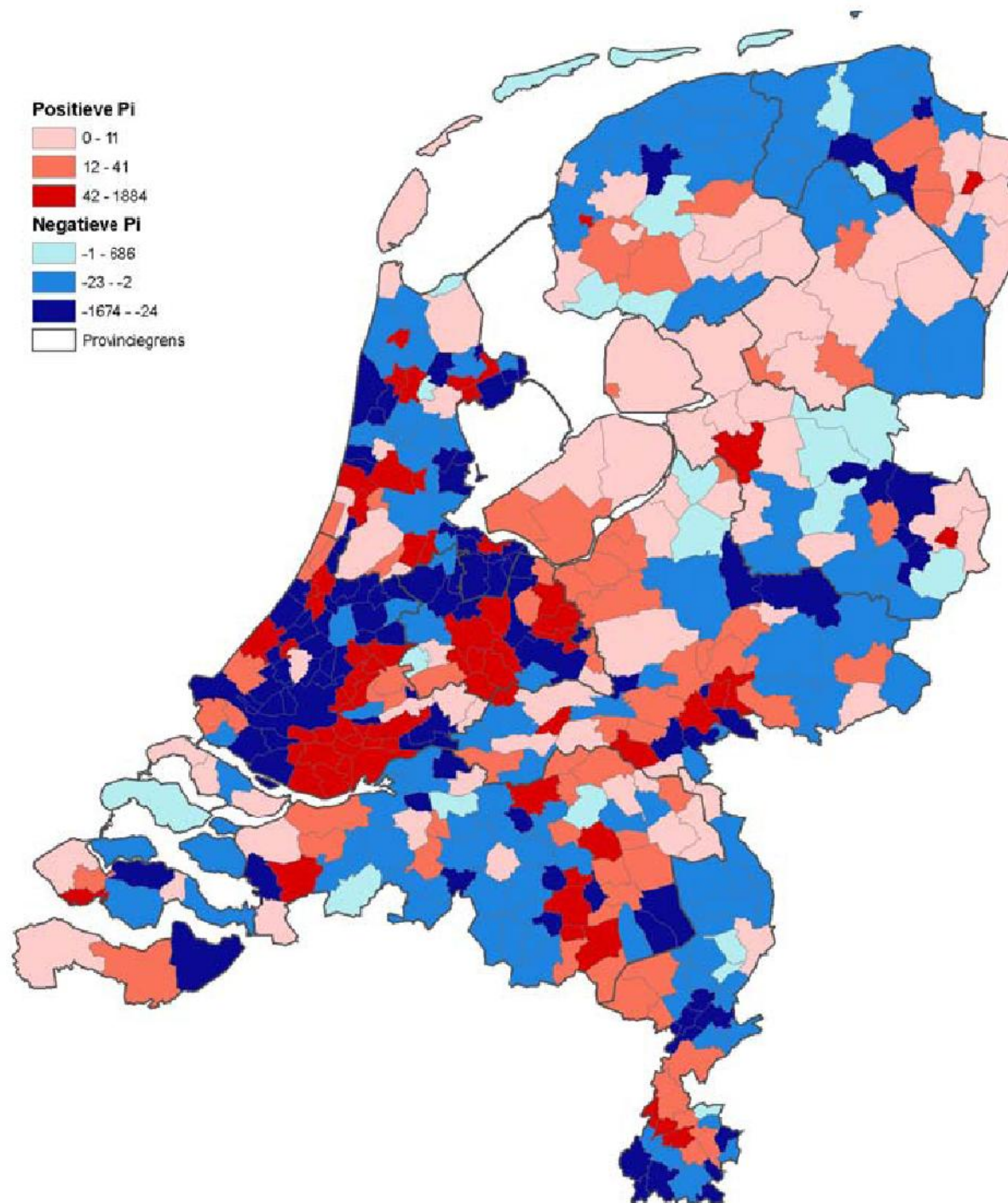
Interprovincial firm migration  
1994/1995 (firms)



# 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
<b>Expansion space</b>	<b>Expansion space</b>	<b>Expansion space</b>	<b>Expansion space</b>
Organisational reasons	Organisational reasons	Organisational reasons	Organisational reasons
Bad premises	Local traffic situation	Expected future growth	Expected future growth
Termination of rent	Bad premises	<b>Unrepresentative building</b>	<b>Unrepresentative building</b>
<b>Unattractive surroundings</b>	Unrepresentative building	Bad premises	Bad premises



## Firm Migration: Pull factors

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



# 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	<b>52.5</b>	22.5
<b>Location</b>	<b>43.9</b>	<b>36.0</b>	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
- › International comparisons
- › 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	<b>82</b>	
NO	<b>27</b>	<b>13</b>	<b>18</b>	
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



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

**MORE RATIONAL**

**LESS RATIONAL**

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

