

Sleutjes, Bart

**Conference Paper**

## The role of the neighbourhood for firms that stayed- or left

50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden

**Provided in Cooperation with:**

European Regional Science Association (ERSA)

*Suggested Citation:* Sleutjes, Bart (2010) : The role of the neighbourhood for firms that stayed- or left, 50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/118988>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# Exploring the role of the neighbourhood in firm location: differences between stayers and movers

*Paper prepared for the ERSA Congress 2010, Jönköping*

Bart Sleutjes

Urban and Regional research centre Utrecht, Faculty of Geosciences,  
Utrecht University, The Netherlands

Email corresponding author: [B.Sleutjes@geo.uu.nl](mailto:B.Sleutjes@geo.uu.nl)

## 1. Introduction

Over the past decade, firm migration has increasingly gained interest within the entrepreneurship and small business literature and in the policy arena. Most literature focuses on firm movements between different regions. However, recent empirical evidence has shown that 75 per cent of all firm movements take place within the same municipality (RPB, 2007). Concluding from the literature, these firm movements are mainly driven by factors related to the firm's development, the entrepreneur's ambition or the market. For example, firm growth necessitates more space which is not always available at the current site. Still, the large share of movements within the municipality makes it likely that there are large differences within cities regarding the business climate. Since a large and increasing number of small and medium-sized entrepreneurs are located within pure residential neighbourhoods, the characteristics of those neighbourhoods, as well as their evaluation by entrepreneurs should not be overlooked. Certain aspects of the neighbourhood push firms away, whereas characteristics of another neighbourhood attract firms. These push and pull factors may be related to the economic (competitors and local demand) or socio-economic (spending power) neighbourhood context, but also to the local physical and safety situation. So far, not much is known about the role that the neighbourhood plays for the functioning of firms and how this influences their wish to move, or their decision to actually do so.

In this paper, we investigate which factors actually influence an entrepreneur's decision to stay or move out of a neighbourhood. The main aim of this paper is to get more insight in the exact reasons why entrepreneurs move out of a neighbourhood or decide to stay. We therefore pay specific attention to how *economic, social and physical* neighbourhood aspects influence or have influenced the decision to move, both on the push and the pull side. Since it is assumed that being located within disadvantaged urban neighbourhoods also negatively affects firm performance and stimulates relocation (PBL, 2010), we restricted our research to five neighbourhoods with a relatively low socio-economic profile.

By means of semi-structured interviews with 40 small and medium sized entrepreneurs in five Dutch urban neighbourhoods, we aim at getting a grip on the actual processes underlying a relocation decision. By doing so, we hope to contribute to the existing strand of literature regarding firms' relocation behaviour that has so far not focused on the local scale level. Also, the paper has societal relevance. If certain neighbourhood characteristics or localized networks turn out to be pull or push factors for entrepreneurs, this is of interest for entrepreneurs looking for a (new) location. Furthermore, this might interest policy makers aiming at stimulating the

neighbourhood economy by attracting and retaining entrepreneurs within certain urban neighbourhoods.

The main questions we try to answer are:

- *To what extent do economic, social and physical neighbourhood characteristics play a role for firms' location decisions?*
- *To what extent is the role of the neighbourhood different between stayers and movers?*

The main questions will be answered by means of the following three sub-questions:

- *Which factors influenced the initial location choice in the five selected neighbourhoods?*
- *Which factors have influenced the decision to leave this neighbourhood?*
- *Which factors are behind the wish to stay at or move from the current neighbourhood in the following two years?*

This paper is structured as follows. In the next section, we will provide a short review of the dominant literature on causes of and processes behind firm relocations. Then, in the third section, we describe the data collection process and the research methods that were used. The fourth part summarizes the main findings of our research, which are illustrated with interview citations. Finally, in the final part we will try to answer our main research question.

## **2. Literature review**

### **2.1 The literature on relocation decisions**

Firm relocation basically implies exchanging one location for the other. Usually, the decision for a certain location is based on combinations of *push* and *pull* factors, which can be either firm internal or firm external. The literature on firm's location behaviour can be classified into three main strands. First of all, the *neoclassical* location theory focuses on profitability issues, and the reasons for relocation are usually related to costs or the market. Firms only move when necessary: when their current location is no longer profitable, as a result of rising factor prices or staff and transportation costs (push factor), and when another location is regarded more profitable (pull factor) (Pellenbarg et al., 2002; Mariotti, 2005). The neoclassical theory assumes fully rational behaviour and perfect information. At the same time, it disregards firm internal factors and relocation costs (McCann, 2001). Seen from a neoclassic perspective, urban neighbourhoods function as 'breeding places' for new firm activity. Firms are started within inner-city milieus or within residential neighbourhoods, often close to where the entrepreneur lives, because of the small demand for space and the proximity of network contacts that are crucial for the provision of resources and the reputational development in the start-up phase (Leone & Struyk, 1976). As firms grow older, they increasingly internalize knowledge and become less dependent on local networks and –with the exception of retail and consumer services- on location in general. This, in combination with an increased demand for a large or more representative commercial space, leads to firms moving out of neighbourhoods to business parks or office locations in the (early) growth phase; while their places are taken in by new starting firms (Leone & Struyk, 1976).

The *behavioural* location theory is based on the assumption that entrepreneurs have imperfect information and are not always rational in their behaviour. This theory looks at relocation from a broader perspective, thereby incorporating firm internal factors and the personal images and perceptions of the entrepreneur. Instead of

maximizing profits, entrepreneurs tend to look for sub-optimal outcomes, taking into account relocation costs, their familiarity with locations (*mental mapping*) and other non-economic motivations like combining work with private duties (Van Dijk & Pellenbarg, 2000; Brouwer et al., 2004). The behavioural theory focuses on the complex decision making process and tries to understand underlying processes.

The *institutional* location theory emphasizes the social and institutional embeddedness of entrepreneurs. It does not regard entrepreneurs as individual actors, but focuses on the interaction of firms within network relationships (Brouwer et al., 2004). These often long-lasting network relationships not only provide firms with knowledge and resources (Davidsson & Honig, 2003), they also create mutual dependencies that restrict firms' spatial mobility. Moving across large distances may lead to a loss of crucial network contacts, as a result of which firms with many inter-firm relationships are less likely to leave their region (Knoben, 2007). Thus, firm relocation is the result of a firm's investment strategies and negotiations with suppliers, government and other institutions regarding the production process.

Combining these three strands of literature, relocation appears to be the result of different combinations of *firm internal*, *firm external* and *location* factors. These factors may change over time, making a location more or less satisfactory. *Firm internal* factors include firm size, firm age, the firm sector and the level of growth. Small firms are more likely to move than large firms, because they have lower sunk costs (staff, premises, networks) than larger firms (Stam, 2003). Also younger firms are to a lesser extent tied to their current location through investments and network embeddedness and therefore move more easily than older firms (Brouwer et al., 2004). Regarding different sectors, manufacturing firms are the least likely to move as a result of high relocation costs and large capital investments. Business services firms are more likely to move, but relocation costs may also be high if the movement takes place over a large distance, since this implies the hiring and firing and training of new personnel (Pellenbarg et al., 2002).

*Firm external* factors are related to changes in the numbers, composition or location of suppliers and business customers, government policy, labour market issues, the availability of suitable locations elsewhere and general economic conditions (Van Dijk & Pellenbarg, 2000).

*Location* factors include neo-classic *hard* factors, like the amount of business space, accessibility (by road, public transport or by air), parking facilities and the distance to markets, but over the past two decades, also *soft* factors, like the social community, a clean and safe environment, and high-quality cultural and recreational facilities are regarded as relevant determinants of location decisions (Love & Crompton, 1999). These *soft*, or *Quality-of-Life*, factors determine whether a city is attractive for skilled workers and entrepreneurs within footloose and creative sectors or not (Salvesen & Renski, 2003). In this respect, apart from an attractive physical environment, also socially diverse and tolerant communities are regarded as pull-factors (Florida, 2002).

The relocation literature dealing with location factors focuses mainly at the regional or city-wide level. However, taking into account the fact that 75 per cent of all firm relocations take place within the same municipality, it is interesting to increase our knowledge on intra-urban differences as well, since also within cities, different neighbourhoods offer very distinctive business and living climates. This is particularly relevant for locally-oriented sectors and home-based entrepreneurs. For the latter, the neighbourhood where there firm is located is also their living environment. In this case, the firm location choice is often intertwined with personal

housing preferences, rather than the result of business-related reasons. For locally-oriented firms, the local level of spending power and the distance to the market are important for their business performance (Ouwehand & Van Meijeren, 2006; Bulterman, 2007). After all, these firms are dependent on a local clientele, since their activities have a relatively small spatial scope: people are in general not prepared to travel long distances for a bakery or a hairdresser. If spending power is low, this will likely affect these firms' performance rates negatively, and relocation may be seriously considered. Also, an unclean and unsafe environment, for example high perceived or actual levels of crime and nuisance, as well as physical deterioration (e.g. vandalizing or litter on the street) can be considered unattractive or even intimidating by potential customers who are more likely to look for alternatives elsewhere. But also non-locally oriented firms, like business services, can be negatively affected by low liveability scores, especially through the reputation. A negative neighbourhood image can trigger down to the firm as well (Aalders et al., 2008).

Recent empirical evidence has already shown that neighbourhood factors play a small role for firm dynamics. Low liveability scores negatively affect firms' survival and growth chances, especially within consumer services, but also relocation is stimulated by high levels of nuisance and vacant business spaces (PBL, 2010).

## 2.2 Expectations:

We expect that the abovementioned location factors are valued differently by various groups of entrepreneurs that can be distinguished within our sample. The main distinction that we make is between firms that stayed within the neighbourhood (stayers) and firms that recently moved out (movers). Regarding this distinction, we expect that stayers will have a stronger tie to their neighbourhood than movers. Within this group, there will be more firms with a dependence on local markets, which makes relocation unlikely. We assume that these entrepreneurs more often make a deliberate choice for the neighbourhood and that relocation is related to better market conditions elsewhere.

Movers are apparently less tied to the neighbourhood, since they have relocated already. Presumably, for movers local market aspects are outweighed by neoclassical factors like price and accessibility, as well as by private considerations when making their choice for the previous and the current neighbourhood, and will likely also determine future location decisions.

Another distinction can be made based on the sector: locally-oriented sectors (retail, food, personal services) and non locally-oriented sectors (business services, construction, logistics, manufacturing). In this respect, we assume that locally-oriented firms (locals) will more often make a deliberate choice for the neighbourhood. After all, they depend on the people living there for their sales relationships (Bulterman, 2007) and may also be negatively affected by an unclean and unsafe environment (Aalders, 2008). Market prospects will also largely determine the decision to stay or move for locals, but also the local liveability situation will be considered important by this group of entrepreneurs.

Non locally-oriented firms (non-locals) are relatively footloose. The neighbourhood will likely be less important for this group of entrepreneurs, regarding their firm performance. Still, the neighbourhood can influence private reasons for moving and is thus important for the entrepreneur personally, but not for his business. We expect that aspects related to costs, space and accessibility will be the main drivers behind location choice and reasons for moving.

### **3. Data and methodology**

We follow an exploratory research design, since we want to know more about the actual processes underlying a relocation decision, with specific attention for, so far largely unexplored, neighbourhood level determinants. We formulated several expectations regarding the different (re)location behaviour of several groups of entrepreneurs, and test these expectations by means of a qualitative research design. In this section, we will first motivate the choice for our research areas, and then describe the data collection process and the methods that were used.

#### ***3.1 Selection of neighbourhoods***

By making the choice for our research neighbourhoods, we had to take into account methodological and practical considerations. Because of time limitations, we were only able to interview 40 entrepreneurs. As a result of this, we can only select a small number of neighbourhoods, since we strive for a representative sample. We chose five neighbourhoods with a similar socio-economic and ethnic profile in order to guarantee the comparability of our results. Since it is assumed by policy makers and confirmed by recent empirical evidence that neighbourhoods with low scores on liveability aspects are unattractive business environments, these neighbourhoods are the most interesting to study.

Out of a selection of 161 neighbourhoods (5-digit postal code districts) that were investigated in previous studies, we selected five neighbourhoods with a low score on average income and a high share of non-Western immigrants. These selection criteria were based on data by Netherlands Statistics (CBS)<sup>1</sup>. Another important criterion was that at least 50 entrepreneurs had to be located within the neighbourhoods in order to guarantee enough response.

This selection process has led to the following five Dutch neighbourhoods: Indische Buurt and Oosterparkbuurt (Amsterdam), Regentessekwartier and Moerwijk (The Hague), and Overvecht (Utrecht).

#### ***3.2 Data collection and research methods***

We conducted in-depth semi-structured interviews among 40 entrepreneurs. The interviews were carried out between November 2008 and March 2009. The sample is equally divided between firms that stayed and firms that recently moved out of the neighbourhood (20/20). 11 firms belong to locally-oriented sectors, whereas a majority of 29 firms belong to non-locally-oriented sectors. This is the result of difficulties to find sufficient locally-oriented movers. The initial aim was to get an equal division between locals and non-locals.

The survey provides detailed information on the characteristics and the performance of firms, as well as network contacts, neighbourhood attachment, location choice, and the valuation of location aspects. Regarding methods, we make use of qualitative data analysis.

### **4. Findings**

#### ***4.1 Reasons for locating in the neighbourhood***

There are some differences between stayers and movers regarding their decision to locate within the research neighbourhoods. It is especially remarkable that stayers mention more motivations for their location choice than movers. For movers, private

---

<sup>1</sup> The data were gathered at the neighbourhood level, which largely, though not fully, coincides with the 5-digit postal code levels under study.

considerations were clearly dominant. Other reasons, like costs, coincidence and the fact that the neighbourhood is familiar (mental mapping) played a much smaller role for movers. This may be explained by the fact that a majority of the movers are (formerly) home-based firms, who started their business from home, often out of practical or financial reasons, or because the nature of their activities did not necessitate formal office space.

*"No, it was not a deliberate choice. So, I already lived there... We did not need an office, no office building to start a firm". (Mover\_nonlocal\_hb)*

The group of stayers is more heterogeneous regarding their location decision. Neoclassical factors like the price and accessibility are mentioned the most, but also private considerations were mentioned frequently.

*"Because of the location, the costs. Apart from my mortgage, I do not have that many costs. I do not have to pay rent for business space, which is quite expensive in Amsterdam. There are not many advantages of having your own office as a broker, because if I look at my activities, they are mostly on site" (stayer\_nonlocal\_hb).*

*"And here is the advantage that you can park in front of the door, you have a large store, much space" (stayer\_nonlocal\_nhb).*

*"I choose this, because here is a hub for public transport. For trams, subway, as well as trains....Because all locations can be reached easily from here... By public transport, by bike, on foot...That you are just as quick outside the city as inside the city. That you are not really in the city centre, but still can reach it within 10 minutes biking distance" (stayer\_nonlocal\_hb).*

However, the biggest difference between stayers and movers is related to the local market. Whereas stayers indicated that their location choice was based on local demand, local spending power or the number of competitors, none of the movers mentioned these aspects.

*"When I took over the business, I did some research, and then it turned out that this street is a protected shopping street, in other words: only one for each sector... So I have no competition here" (stayer\_local\_nhb).*

*"Another thing is that this building used to be a Surinamese shop since the 1980s, so it had some customer potential" (stayer\_local\_nhb)*

*"Only a bakery was missing there, so I just started to work there as a baker. Moerwijk was the nearest place where a bakery was needed" (stayer\_local\_nhb)*

For stayers, familiarity with the neighbourhood is also more important than for movers. These findings confirm our expectation that stayers are more likely to make a deliberate choice for the neighbourhood than movers.

*"Because we always lived in this neighbourhood... because it was close to home, yes" (stayer\_local\_nhb).*

*"Because I was born at the other side of the hospital myself... yes, I am familiar with this neighbourhood" (stayer\_local\_nhb).*

Finally, more stayers than movers mentioned coincidence as the main reason for choosing their (previous) location. In this respect, the location choice is considered a matter of taking chances.

*"It is very difficult to choose in Amsterdam, right? You have got what you got, whatever you can get" (stayer\_local\_nhb)*

Entrepreneurs within locally-oriented sectors (locals) differ from their non locally-oriented counterparts (non-locals) regarding their location choices. In line with our expectation, locals tend to make a more conscious choice for the neighbourhood than non-locals, either because of the local market and spending power or because the neighbourhood is known to them. For non-locals, the local market hardly played a role, which can be explained by their in general broader market scope. Also, more locals than non-locals mentioned coincidence as an argument for their location choice.

Non locals predominantly chose their (previous) location for private reasons, which is again likely the result of the large number of home-based businesses among this group. None of the locals took private reasons into consideration, presumably because their activities cannot be operated from home. Furthermore, and confirming our expectation, factors like price, the amount of business space and accessibility played a much bigger role for non-locals than for movers.

#### 4.2 The decision to have stayed or moved

Several reasons were mentioned for having moved. Private reasons were mentioned most often: the previous home from which the firm was operated had become too small or the neighbourhood was not anymore considered to be a pleasant living environment. When the entrepreneur moves because of private reasons the firm moves along with him. Often, these private reasons are related to changes in lifestyle or the household situation (e.g. up growing children).

*"The relocation is not so difficult; it followed my private relocation. In 2005, I had one child and we were expecting the second, and we lived in a small apartment in Indische Buurt. Yes, we needed more space... It was more a private consideration than a professional consideration" (mover\_nonlocal\_hb)*

*"It was then, it is now and it [relocation] will also in the future be because of private reasons and not because of business-related reasons" (mover\_nonlocal\_hb)*

In line with our expectation, the demand for more business space played an important role. This can be related to lack of space for the storing of material and goods, but also to an increase in the number of staff. Growth is thus a driver of relocation.

*"We did not have any problems over there. Our relocation was just because...we needed more space, but nothing else" (mover\_nonlocal\_hb)*

*"The space that we had was too small. And within those premises we could not get more space. So, very practical... It was a fantastic building... and we were close to Oosterpark, so that was lovely...Yes, it was lovely. It was really a pity that we had to leave there" (mover\_nonlocal\_nhb)*

A third main reason for having moved is the need for a more representative business space. The neighbourhood plays a relatively small, but existing, role for firms that have moved.



*"I had quite a large bedroom there, which I in fact cut in two, as a result of which I slept in one corner and worked in the other corner. So that was, in every respect, not an ideal situation... That was also not ideal when I had to receive customers. That happened. Customers found it charming in a way, I think, but you do not come across very seriously of course" (mover\_nonlocal\_hb)*

*"The reason why we moved there in the end was that I wanted to keep it [work and private] more separated. And therefore we have two floors here: one for work and one for private life" (mover\_nonlocal\_hb)*

Only a small number of movers indicated that their move was related to the neighbourhood, e.g. better market potential elsewhere. The liveability situation within the neighbourhood was never mentioned as the primary reason to move, but was a secondary reason for some entrepreneurs, in particular because of fear for theft.

*"...And the neighbourhood was also not optimal...Here, there is much social control... There in Utrecht, I could not take deliveries. There I had to collect my things or they had to be delivered at the building site" (mover\_nonlocal\_hb)*

Interestingly, some entrepreneurs noted that after moving to a 'better' neighbourhood, they acknowledged that this new environment benefits their firm, even though it was initially not a reason for leaving. Often, this is related to the image of the neighbourhood: being located in a better neighbourhood improves the representativity of the firm. In some cases, customers even had negative experiences within the neighbourhood during their visit.

*"It happened that I was talking to a client, and then... they broke into his car. Yes, of course, you are very embarrassed. It bothers you personally... It is more about...perception, from the perspective of customers, visitors etcetera" (mover\_nonlocal\_nhb).*

Another unforeseen benefit of the new neighbourhood is through customers:

*"I notice that I get more customers over here. Especially over the past two years. I get more customers... from this neighbourhood... it is like a village... people talk to each other, and I think it is also related to the amount of new houses being built here...and people would like something to be done [construction]. They let me know about that" (mover\_nonlocal\_hb)*

Comparing locals and non-locals is difficult, since we were able to find only one locally-oriented mover. However, this also clearly indicates the lower propensity to move to another neighbourhood by locals. The only locally-oriented mover emphasized the importance of the local market. Although the move was made because a good opportunity was offered elsewhere, the entrepreneur would not automatically have taken this opportunity in the old neighbourhood because of the difficult market for the sector and because there were problems.

*"Well, I have to say that if I was offered something like this in Indische Buurt, so if you are more dependent from the neighbourhood, from who is coming inside... Then I would have had doubts about it perhaps... Because there are problems sometimes and it is a difficult audience that is living there. Especially for the food sector" (mover\_local\_nhb)*

For non-locals, the local market plays no important role. Here, especially private reasons were mentioned, followed by the demand for more business space and representativeness. Regarding the neighbourhood itself, it is interesting that also non locally-oriented entrepreneurs consider the liveability situation at the new site

beneficial for their firm. Non-locals of course have more freedom to move, since they do not depend on local sales relationships and regular customers (Love & Crompton, 1999).

#### 4.3 Plans for moving in the future

Regarding the wish to move within two years, the entrepreneurs can be divided into four groups. First, there is a group that definitely wants stay at the current location. For these entrepreneurs, market-related factors, like regular customers or low competition, and satisfactory firm performance, are mentioned most.

*"I think not, because... people know where to find me here. Because I have built up a circle of regular customers here in all the years that we are situated here, and then you cannot start all over again. Then you have lost them all... It is no office or so where you just use the telephone. It is all a matter of walking in..." (stayer\_local\_nhb).*

*"No no, I will stay here until the bitter end. I have a guarantee from the corporation that nothing will happen with this shopping street until 2016" (stayer\_local\_nhb)*

*"No, not within the next two years in any case. It is a small shop and it is always extra profitable for me" (stayer\_local\_nhb)*

*"No. Because this location is just perfect, in every respect" (mover\_nonlocal\_hb)*

In one case, also embeddedness in local business networks was brought up as a keep factor.

*"This firm also has its roots here now... By now, we are a member of several societal clubs and entrepreneurial networks. So then you are finally starting to root here". (mover\_nonlocal\_nhb)*

A second group, which is actually the largest, does not have an explicit wish to move, but would consider it in case of strong growth or when an attractive alternative is offered elsewhere, in particular a site at a better location for a reasonable price.

*"Well, consider that I will start working together with someone else. Then we need an office where we can be together.... This model is based on one person only. If I start working with someone else, for instance if I want to have trainees, then I think it is a little... Imagine those trainees sitting in between all the Barbie dolls" (mover\_nonlocal\_hb)*

*"I mean, there are always 'unless scenario's', but in principle no. Look, if I would get an enormous opportunity to enlarge enormously, I would not just say no to that". (mover\_nonlocal\_nhb)*

*"Yes, if I could find a location where the rent is not too high, but where you are at a location that attracts extra customers then it is worthwhile to consider it... That is very difficult in Amsterdam" (stayer\_nonlocal\_hb)*

A third group would like to move, but currently has no possibilities to do so. Aspects like a lack of financial means and sunk costs make short-term relocation impossible, even though the entrepreneur would like to do so.

*"I have no plan, because I have no money. If I had money, I would move next week" (stayer\_local\_nhb).*

Among the factors leading to this wish to move are push-factors directly related to the neighbourhood. In particular a negative development of the local level of spending

power and the downgrading of the local firm composition are considered as a reason to move.

*"This street has become a dead street. This street used to be lively, but is now dead. I would say, those companies have vanished silently" (stayer\_local\_nhb)*

*"Economically, it is a disaster in this neighbourhood... everyone who can afford a decent house just leaves... Sales are dramatic in any case, because there is simply no money. Well, and of course you are affected by that through people's spending behaviour. That is as simple as that." (stayer\_local\_nhb).*

Fourth, there are some entrepreneurs that actually expect to move within two years. These entrepreneurs mentioned demand for more space and representativeness, as well as private reasons as the main motivations.

*"Our expectation for the future is that we will buy our own premises, from February onwards or so... The reason is enlargement, right" (stayer\_nonlocal\_nhb)*

*"It has nothing to do with the firm. It is a family extension" (stayer\_nonlocal\_hb)*

*"There it stops, this is all. Therefore, we have to go to another location, where we can separate the production part from the reception part" (stayer\_nonlocal\_hb).*

Stayers and movers differ somewhat regarding their wishes to stay or move. Only stayers take the amount of space and representativity into account as push factors and the local market as push or keep factor. Also sunk costs as keep factor only play a role for stayers and not for movers. Movers more often indicate that things are going well at the current site and therefore do not consider a new move necessary. Movers that are less outspoken about their wish to stay in general would consider a move only when a better alternative is offered or when (further) growth will take place. This reason was mentioned frequently by both stayers and movers, but somewhat more often by movers.

Whereas almost all firms that are outspoken about their reasons for staying are locally-oriented, non-locals have a clearer wish to leave. In line with our expectation, locally oriented sectors attach more value to neighbourhood factors (market) and sunk costs when making their choice for staying or wanting to move, whereas for non-locals, space, representativity, but especially a better alternative elsewhere are mentioned as reasons to consider a move. The neighbourhood itself is less important for non-locals, because of the nature and the broader market scope of their activities.

## **5. Conclusions**

The main question in this paper was related to the role of location factors at the neighbourhood level. We can conclude that economic neighbourhood factors like local demand, the local level of spending power and a local clientele are the most important neighbourhood factors, since they are often mentioned as the main motivations for settling in certain neighbourhood, and even more for wanting to stay there. The liveability situation on site is not considered important as a reason for locating in the research neighbourhoods, and is at most a secondary reason for relocation. Still, even though it is not a main reason for moving, an unclean and unsafe environment is considered a negative influence on the firm's reputation. A more liveable environment at the new location is, however, regarded as a beneficial incidental circumstance, rather than something the movers were consciously looking for.

To answer our second main question, we can conclude that, in line with our expectations, stayers have a clearer link to the neighbourhood than movers. Not only have they more often deliberately chosen for the research neighbourhood, they also mention economic neighbourhood aspects (local clientele, local demand) explicitly as keep *and* push factors. On the one hand, regular customers make it difficult to leave a neighbourhood, but on the other hand, negative economic developments at the neighbourhood level may make a move attractive, or even necessary.

Clear similarities exist between stayers and locals on the one hand, and movers and non-locals on the other. Many stayers in our sample belong to locally-oriented sectors that depend on a local market. For these firms, a wide range of reasons determine (re)location decisions, including economic and socio-economic neighbourhood factors. Movers often belong to sectors like business services, construction and manufacturing, which are by nature more footloose. For these firms, especially private considerations and to lesser extent neoclassical factors determine (re)location behaviour, whereas economic and socio-economic neighbourhood factors are not taken into consideration. These findings are broadly in line with our expectations. However, regarding the local liveability situation, both locals and non-locals mention that they are affected by this.

Overall we found that the reasons behind firm relocation are explained by a combination of the factors mentioned within the neoclassical, behavioural and institutional strands of literature. Focusing only on one of these sets of explanations does not give a complete picture of the processes behind firm dynamics. Costs, space, market and accessibility aspects are indeed important reasons for relocation, but cannot be seen apart from the entrepreneur as an individual. Often, private reasons and mental mapping are at least equally important in the decision making process.

For local policy makers, it seems to be relevant to stimulate the local market, by making sure that the number and variety of businesses within a neighbourhood remains intact, and by preventing or countering the out-migration of high-income residents. Investing in these fields will make neighbourhoods more attractive for locally-oriented firms, and will decrease their wish to move. Also investing in safety and cleanliness will likely benefit entrepreneurs, both locals and non-locals, at least through reputation improvement, but is not expected to have a direct effect on moving patterns. Still, it might increase entrepreneurs' satisfaction with their location.

## **Acknowledgements**

The author would like to thank Pascal Beckers (Maastricht University) and Veronique Schutjens (Utrecht University) for their valued input and cooperation while setting-up and carrying out the fieldwork.

## **References**

- Aalders, R., A. Bakkeren, J. Kok & T. Twigt (2008). *De kracht van de wijk. Belang van wijk economie voor de leefbaarheid in Amsterdamse krachtwijken*. Amsterdam, Rabobank Amsterdam en Omstreken/EZ Amsterdam/MKB Amsterdam.
- Brouwer, A.E., Mariotti I. and Van Ommeren, J.N. (2004), The firm relocation decision: An empirical investigation. *The Annals of Regional Science* 38, pp. 335-347
- Bulterman, S., A. v. Klink, et al. (2007). Ondernemers en hun bedrijven in de wijk. Het cement voor de economische pijler. In: J. v. Dijk and V. Schutjens (2007), *De economische kracht van de stad*. Assen, Van Gorcum.
- Davidsson, P. & B. Honig (2003) The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing* 18, pp. 301-331.

Dijk, J. Van & P. Pellenbarg (2000), Firm relocation decisions in The Netherlands: An ordered logit approach. *Papers in Regional Science*, 79, pp. 191-219

Florida, R. (2002). *The rise of the creative class: And how it's transforming work, leisure, community and everyday life*. New York, Basis Books.

Knoben, J. (2007), *A spider and the stickiness of its web. The causes and consequences of spatial firm mobility*. Tilburg: University of Tilburg

Leone, R.A. and R.J. Struijk (1976), The incubation hypothesis: evidence from five SMA's, *Urban Studies*, 13: 325-31

Love, L. and Crompton, J. (1999), The Role of Quality of Life in Business (re)Location Decisions. *Journal of Business Research* 44, pp. 211-222

Mackloet, A. V. Schutjens & P. Korteweg (2006), *Starten vanuit huis: bittere noodzaak of verkozen lifestyle?* Utrecht: DGW/ NETHUR Partnership

Mariotti, I. (2005), *Firm relocation and regional policy. A focus on Italy, The Netherlands and the United Kingdom*. Utrecht/ Groningen: Royal Dutch Geographical Society/ Department of Spatial Sciences University of Groningen

Ouwehand, A. and M. v. Meijeren (2006). Economische initiatieven in stadswijken. Een verkennend onderzoek. Gouda, Habiforum.

Pellenbarg, P.H., Van Wissen, L.J.G and Van Dijk, J. (2002), *Firm migration*. In: McCann, P. (ed.), *Industrial location economics*. Cheltenham: Edward Elgar Publishing Limited

PBL (2010), *Bedrijvigheid en leefbaarheid in stedelijke woonwijken*. Den Haag/ Bilthoven: Planbureau voor de Leefomgeving

RPB (2007), *Verhuizingen van bedrijven en groei van de werkgelegenheid*. Den Haag: Ruimtelijk Planbureau

Salvesen, D. And H. Renski (2003), *The importance of quality of life in the location decisions of new economy firms*. Centre for Urban and Regional Studies. Chapel Hill: University of North Carolina

Stam, E. (2003), *Why butterflies don't leave. Locational evolution of evolving enterprises*. Utrecht: Utrecht University