

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

Bart Sleutjes · Pascal Beckers

Received: 8 December 2011 / Accepted: 31 August 2012 / Published online: 12 September 2012
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Abstract Most firm relocations take place across rather short distances, indicating that firms are in general quite place-attached. Still, at the local level, weaker neighbourhoods are characterised by relatively high firm out-migration figures, which may be the result of unfavourable local business conditions. Through a qualitative study of 40 entrepreneurs from weaker neighbourhoods, equally divided between firms that relocated (movers) and firms that did not (stayers), this paper studies to what extent characteristics of the neighbourhood itself influence either past firm relocation decisions or future firm relocation propensity. The results show that the neighbourhood plays only a modest role in firm relocation decisions and propensity, and when neighbourhood characteristics are mentioned as push factors, they are in general outweighed by investments or relocation costs in the decision-making process. Because most firm relocation decisions, both in the past and in the future, are related to aspects of the business property, rather than consequences of other neighbourhood characteristics, maintaining or creating a diverse supply of business properties within a neighbourhood may prevent most potential movers from leaving the neighbourhood much more than neighbourhood liveability improvement measures.

Keywords Entrepreneurs · Home-based firms · Neighbourhood · Relocation

1 Introduction

In several Western-European countries, including The Netherlands and Germany, urban restructuring plans have aimed at strengthening the economic profile of disadvantaged neighbourhoods. Although many such policies are geared toward the creation of new jobs

B. Sleutjes (✉)

Faculty of Geosciences, Urban and Regional Research Centre Utrecht, Utrecht University,
P.O. Box 80.115, 3508 TC Utrecht, The Netherlands
e-mail: b.w.h.sleutjes@uu.nl

P. Beckers

Department of Geography, Spatial Planning and Environment, Institute for Management Research,
Radboud University Nijmegen, Nijmegen, The Netherlands

in the neighbourhood by attracting new firms or by stimulating self-employment, the retention of firms currently located in these districts deserves some policy attention as well. A recent empirical study from the Netherlands by Planbureau voor de Leefomgeving (PBL 2010) shows that there are differences among neighbourhoods regarding the out-migration of firms. In particular, weaker neighbourhoods, where economic, social, physical and liveability problems are concentrated, are significantly more prone to the out-migration of firms than stronger neighbourhoods. This triggers the assumption that characteristics of such weaker neighbourhoods may contribute to a business climate that is considered unattractive by local entrepreneurs.

Whereas the classic literature on firm location and relocation emphasises that most firm relocation decisions result from *firm-internal* factors, such as firm growth (i.e. Van Dijk and Pellenbarg 2000; Pen 2002), these local differences in firm out-migration suggest that *firm-external* factors at the neighbourhood level may have influence as well. Particularly over the past decade, studies on firm location choices have been increasingly referring to, at least, three such firm external factors that determine the attractiveness of a certain location for firms.

The first factor is related to the supply and quality of business property. Primarily, firms need a business space that fits their activities and, in the case of home-based entrepreneurs, their residential preferences (Mackloet et al. 2006). Due to differences in real estate structures, some neighbourhoods are more attractive business locations than others (Green et al. 2000; Mason et al. 2011). The significance of property in relocation decisions has both an economic and a social component. Some entrepreneurs need another property to accommodate their (growing) business activities, whereas many home-based entrepreneurs with modest growth ambitions look for another dwelling for personal reasons (Mackloet et al. 2006). For this latter group, a private relocation directly results in a firm relocation, although their business activities played at most a minor role in the decision to relocate.

The second *firm-external factor* is concerned with local spending power. At least for locally oriented firms, such as retail and catering, a low average income in the neighbourhood may negatively influence sales (Bulterman et al. 2007), thereby making relocation to another, more affluent neighbourhood an attractive option.

Third, firm relocation may be steered by the local liveability situation, either through the market or through the entrepreneur's private sphere. Deteriorated physical surroundings create a bottleneck for local entrepreneurs (Bates and Robb 2008) because deterioration reduces the attractiveness of the environment for potential customers, which indirectly influences the sales and profits of local firms. Simultaneously, physical deterioration may decrease entrepreneurial satisfaction with the firm's location, encourage firm relocation (propensity) and discourage entrepreneurial investments.

On the one hand, an unsafe and deteriorated environment is unattractive to potential customers, who may then choose other shopping locations. The resulting lower sales may 'push' locally oriented businesses away from one neighbourhood, while they are 'pulled' to other districts with a more attractive public space (Wilson 1987; Bates and Robb 2008).

On the other hand, firm relocation may be stimulated by the quality of the *living* environment. The living environment is especially important for home-based entrepreneurs, whose number has increased rapidly over the past decades (Mason et al. 2011), boosted by three societal and economic developments. First, the rise of the service economy since the 1990s has created a market for small-scale firms, often solo entrepreneurs within the business services sector (Mason et al. 2011). These businesses can easily be operated from home because of modest spatial demands and because their activities do not cause any nuisance and therefore fit nicely into residential districts. Second,

advancements in communication technologies have enabled the building and maintenance of flexible or footloose business networks while working from home (Castells 1996). Finally, there is an increasing demand for a modern way of working, with more independence, flexible working hours and the possibility of combining entrepreneurship with other tasks, such as care-giving or household duties (Green et al. 2000; Mackloet et al. 2006). For these home-based entrepreneurs, the business and living environments overlap, and moving to a new dwelling in another neighbourhood means that their businesses leave the neighbourhood as well. Because neighbourhoods with high levels of crime, nuisance and deterioration are likely to be unattractive living environments for home-based entrepreneurs, the higher firm out-migration levels in such neighbourhoods may be explained by personal housing preferences.

This paper investigates through a qualitative analysis to what extent these three external firm factors at the neighbourhood level have influenced the previous relocation decisions of entrepreneurs in weaker neighbourhoods, and steer their propensity to relocate out of such neighbourhoods in the near future. Therefore, our aim is to find answers to the following two research questions:

- Which characteristics of weaker neighbourhoods play a role in local entrepreneurs' past relocation decisions and why?
- Which characteristics of weaker neighbourhoods play a role in local entrepreneurs' future relocation propensity and why?

The paper makes three contributions to the existing literature on the relationship between neighbourhood characteristics and firm relocation. First, in large-scale analyses based on firm registrations, as was conducted by PBL (2010), it is only possible to depict associations but not causality. Whereas such data-driven exercises do not include the opinion of the entrepreneurs under study, the main contribution of this paper is its explorative and qualitative approach. By interviewing entrepreneurs, we aim to understand those factors that influence relocation behaviour.

A second contribution is that the study pays attention to both past firm relocations and the propensity to relocate in the future, whereas previous studies have only looked at completed relocations.

Third, by speaking to the entrepreneurs, we can address the growing group of home-based entrepreneurs and differentiate between firm-related and private relocation motivations. Data-driven research is not able to do so because large data sets in general do not distinguish between home-based and non-home-based firms, despite the increasing significance of home-based businesses (Green et al. 2000; Mason et al. 2011).

This paper is structured as follows. In the next section, we provide a short review of recent literature on the causes of and processes behind entrepreneurs' relocation motivations and relocation propensity. The third section describes the data-collection process and the research methods that have been applied. In section four, the main findings of the empirical research are summarised and illustrated with excerpts from the interviews. The final section outlines the study's main conclusions and presents several points for discussion.

2 Literature review

In general, it is assumed that firm relocations are the result of *firm-internal factors* (Hayter 1997), such as firm characteristics (e.g., age and size) and processes. In particular, growth

is an important driver of firm relocations (Pen 2002) because growth increases the demand for a larger or more representative business space. Because the possibilities for expansion are generally limited in residential neighbourhoods, fast-growing firms are displaced and often relocate to commercial areas or business parks (Louw et al. 2009; PBL 2010). Firms with more modest spatial demands, such as home-based businesses, tend to stay in residential neighbourhoods and relocate within or between residential districts. Approximately 75 % of all movers remain neighbourhood-based, either within the same neighbourhood (16 %) or another neighbourhood (59 %) after firm relocation (PBL 2010).

Some types of firms are more likely to relocate than others. Firm relocation figures are higher for younger firms than for older firms because most older firms have become stable and have stopped growing (Garnsey 1998). In addition, they are often tied to their current location through investments in their premises and in network relationships within their own region; these are *sunk costs* for the firm (Stam 2003; Brouwer et al. 2004; Knoblen 2007). Additionally, firms within non locally oriented sectors (e.g., business services and construction) are more likely to relocate than firms active in locally oriented sectors (e.g., retail, catering, and consumer services) because of the footloose nature of the activities of the former group (Aalders et al. 2008). For many locally oriented firms, relocating to another neighbourhood or beyond means losing regular customers and having to start over at a new location. Finally, small firms move more easily than large firms because they generally have lower sunk costs in terms of staff or premises (Stam 2003). However, whereas small firms generally move within their own region or municipality, large firms, if they do relocate, tend to move longer distances (RPB 2007).

However, *firm internal factors* are not always vital in the process of deciding whether to relocate (Hu et al. 2008). Instead of maximising 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 such as combining work with household tasks (Van Dijk and Pellenbarg 2000; McCann 2001; Brouwer et al. 2004; Dahl and Sorenson 2009).

During the past decade, *firm-external factors* have been gaining more attention from both scholars and policy makers in the field of firm location and relocation behaviour. It is assumed that firm relocation can also be driven by the quality of the local production environment (Van Dijk and Pellenbarg 2000). Characteristics of this production environment may be considered as 'push', 'pull' or 'keep' factors (Pellenbarg et al. 2002). Push factors are perceived as negative and steer relocation, whereas pull and keep factors are perceived as positive and stimulate the attraction or retention of entrepreneurs, respectively.

There are two types of relationships between the firm and its production environment. *Market* relations relate to the firm's geographical location with respect to relevant markets and its ability to attract qualified staff and capital (Lambooy 1995). For locally oriented firms, the local spending power and the distance to the market are important to firm performance (Bulterman et al. 2007). The activities of locally oriented firms have a relatively small spatial scope because people are in general not prepared to travel long distances for a supermarket, a bakery or a hairdresser. If spending power is low, this will likely result in lower sales, and firm relocation may be considered.

Conditional relations include local infrastructure, government policy and the physical characteristics of the business space and its surroundings (Lambooy 1995). As a result of the increasing number of self-employed entrepreneurs without personnel who start and operate their firms from their homes, residential neighbourhoods increasingly have become incubators for small-scale businesses (Schutjens et al. 2007; Weterings et al. 2008; Stam

2009); these conditional relationships play an important role at the neighbourhood level. We argue that the attractiveness of the physical neighbourhood environment, i.e., the quality of the housing stock, local liveability and the amenity structure, may steer firm relocation by entrepreneurs in two possible ways.

First, the availability of and investments in business properties may influence firm mobility. On the one hand, the supply of suitable business space and, in the case of independent professionals, the availability of attractive dwellings in the neighbourhood may attract or retain firms and their entrepreneurs (Green et al. 2000; Mason et al. 2011). On the other hand, investments in the business space or dwelling (*sunk costs*) may tie a firm to a certain location and become barriers to firm relocation (Stam 2003; Mackloet et al. 2006).

Second, firm mobility may be stimulated by (perceptions of) local liveability. At the regional level, there is evidence that *quality-of-life* aspects such as the presence of cultural and natural amenities (Love and Crompton 1999; Glaeser et al. 2001; Clark et al. 2002; Salvesen and Renski 2003) and social diversity (Florida 2002) make certain places more attractive to firms than other places. However, these studies have focused exclusively on creative sectors that are by nature footloose and whose entrepreneurs have very specific location preferences. The studies also have focused on the regional, rather than the local, level. However, liveability aspects are also likely to be relevant for other types of firms at the neighbourhood level. So far, a quantitative study by PBL (2010) has dealt with the relationship between liveability factors at the neighbourhood level and firm relocation. However, the role that neighbourhood characteristics play in the mind of entrepreneurs is still largely under-researched. According to Bates and Robb (2008), safety and nuisance are often regarded as (potential) obstacles for entrepreneurs, but did not investigate how this relates to relocation behaviour or relocation propensity. In addition, Williams and Williams (2011) have shown that in disadvantaged neighbourhoods with social and physical problems, people refrain from becoming entrepreneurs. This makes it plausible that bottlenecks related to social and physical disorder also affect incumbent entrepreneurs in such neighbourhoods, influencing their wish to relocate.

For locally oriented sectors, liveability aspects likely influence local market potential and indirectly influence firm relocation decisions or the propensity to stay or move. For example, high perceived or actual levels of crime and nuisance within the neighbourhood, as well as physical deterioration (e.g., vandalism or litter on the street), may be considered unattractive or intimidating by (potential) customers who are therefore more likely to look for alternative, 'clean and safe' shopping locations.

For entrepreneurs active in non-locally oriented sectors, local liveability may influence firm relocation decisions or firm relocation propensity. The quality of the physical environment and liveability may not directly influence firm activities, but because many firms in these sectors are home-based, these aspects do matter for the private life of the entrepreneurs involved. When a neighbourhood is considered unsafe or unattractive, home-based entrepreneurs are more likely to move to another neighbourhood. Furthermore, low liveability scores and a corresponding negative neighbourhood reputation may also negatively affect the reputation of both locally oriented and non-locally oriented firms (Aalders et al. 2008).

3 Data and methodology

The research design is mainly exploratory because the influence of neighbourhood characteristics on firm relocation behaviour and firm relocation propensity is still a relatively

understudied field of research. In this section, we first explain the selection of our research areas and describe the data collection and the methods applied.

3.1 Selection of neighbourhoods

The selection of neighbourhoods was based on several practical and theoretical considerations. First because the focus of this paper is on firm relocation from residential neighbourhoods, we excluded all commercial districts. Residential areas are defined as areas with at least ten private households per acre of built-up area and a number of private households that is at least five times larger than the number of firms.

Second because weaker neighbourhoods are expected to offer the least favourable business conditions, firm relocations are more likely in this type of district, which is also supported by recent empirical evidence (PBL 2010). Therefore, weaker neighbourhoods are the most relevant type of neighbourhoods for our analysis. We expect that for entrepreneurs in these districts, neighbourhood quality will matter as a push factor. If this is not the case, we expect that in better neighbourhoods, it is also not relevant.

The definition of weaker neighbourhoods in our study is based on the following two criteria¹: (1) a low average income; and (2) a high share of non-Western immigrants. According to recent research from the Netherlands, lower income households and non-Western immigrants are over-represented in the same set of neighbourhoods (Wittebrood and Permentier 2011). To avoid large variations in the urban context of these neighbourhoods, we limit our neighbourhood selection to the four largest cities in the Netherlands (see Beckers 2011). Out of the 93 neighbourhoods that met the abovementioned criteria, we selected five ‘typical representatives’: areas that have characteristics that are typical of the characteristics of all 93 weak neighbourhoods. The following criteria were considered: the share of residents per age group (0–15, 15–25, 25–45, 45–65, 65 plus), the average household size (number of persons per household), the share of the working population (15–64 years) working or self-employed, mean income per resident and neighbourhood dynamics (movers per 1,000 residents).² On all criteria, the mean scores of these five neighbourhoods fall within one standard deviation of the overall population mean of the 93 neighbourhoods (<http://statline.cbs.nl>).³

Third, a sufficient number of firms have to be located in the neighbourhoods to provide enough interview candidates. The selection process has led to the following five research neighbourhoods: Indische Buurt-Oost and Oosterparkbuurt (Amsterdam), Regentesse-/Valkenboskwartier-Zuid and Moerwijk-West (The Hague), and Overvecht-Neckardreef (Utrecht).

3.2 Data collection and research methods

The empirical study focuses on five weaker neighbourhoods in three Dutch cities and consists of three parts. The first part is an explorative analysis of firm out-migration figures of each neighbourhood for the period 2005–2007, thereby demarcating the share of firms that relocated, the sectors in which relocating firms are active and the distances that are

¹ The neighbourhood selection is based on data availability by CBS on all neighbourhoods in the Netherlands. The neighbourhood does not correspond perfectly with the geographical units in our study (5-digit postal code areas), but this is the best information available to us, and the approximation is fairly accurate.

² We acknowledge that the list of criteria is not exhaustive; however, our neighbourhood data do not contain additional variables at this aggregate level.

³ This was not the case for any of the other 93 neighbourhoods.

crossed by relocating firms. We sketch a picture of the actual firm dynamics in our five research neighbourhoods, e.g., how many firms have moved out and how they can be characterised. Therefore, we conducted a quantitative analysis of the local business structures and firm mobility patterns in the research neighbourhoods for the period 2005–2007. The data described in this analysis include the total number of firms, the distribution of firms over sectors and size categories, the share of firm relocations per sector, and the distance of firm relocations. These analyses are based on trade register data made available by the local Chambers of Commerce.

The second and third parts of the empirical study are based on in-depth qualitative analyses that aim to unravel two issues. In the second part, we study the factors underlying the firm relocation decisions of entrepreneurs who moved out of the five research neighbourhoods (*movers*, hereafter) during the period 2005–2007 through in-depth interviews with 20 entrepreneurs of relocated firms.

The third part focuses on the firm relocation propensity of entrepreneurs who stayed within the same research neighbourhoods (*stayers*, hereafter) during the period 2005–2007. For the main part of the empirical study, we conducted in-depth, semi-structured interviews with 40 entrepreneurs between November 2008 and March 2009. The sample is equally divided between 20 *stayers* (firms that did not relocate) and 20 *movers* (firms that recently moved out of the research neighbourhoods), based on their firm relocation behaviour in the period 2005–2007. The initial aim was to get an equal number of locally oriented and non-locally oriented firms. However, due to the difficulties that were encountered in finding enough locally oriented movers, the sample is predominantly non-locally oriented, with 29 firms compared with 11 locally oriented firms.

Through the survey, we gathered detailed information on entrepreneurs' firm relocation behaviour (for *movers*) and firm relocation propensity (for *stayers*), as well as the entrepreneurs' network contacts and the valuation of location aspects, and the characteristics and performance levels of their firms. All 40 interviews have been analysed, and excerpts were used to illustrate the main patterns that are found.

4 Findings

In this section, we address the outcomes of the empirical study on entrepreneurs' relocation behaviour and relocation propensity. We start with an overview of the business structures and firm mobility patterns in the selected urban neighbourhoods resulting from the Chamber of Commerce data analyses. Thereafter, we turn to our interview findings and analyse the factors that, according to the entrepreneurs themselves, influence movers' firm relocation motivations and stayers' firm relocation propensity.

4.1 A snapshot of business landscapes and firm dynamics in the five research neighbourhoods

According to the Chamber of Commerce data, on average, 909 firms were located in the five research neighbourhoods during the 3-year period of 2005–2007 (Table 1). Some firm sectors are clearly over-represented in the neighbourhoods.⁴ Half of the firm population

⁴ In this study, we distinguish among 11 broad commercial sectors, namely: ICT and media production, art, commercial services, construction and installations, education and coaching, hotel and catering, manufacturing, personal services, retail and repair, transport and storage, and wholesale.

Table 1 The composition of the firm stock according to sector (in mean percentages for period 2005–2007) in the five research neighbourhoods, with a comparison of stayers and movers

	Total firm population according to firm sector (mean % for period 2005–2007)	Population of stayers according to firm sector (mean % for period 2005–2007)	Population of movers according to firm sector (mean % for period 2005–2007)
ICT and media production	6.9	6.8	7.7
Art	3.2	3.2	3.0
Commercial Services	24.6	23.6	33.2
Construction and installations	9.1	7.9	20.3
Education and coaching	2.9	2.9	3.0
Catering	9.7	10.6	1.5
Manufacturing	3.4	3.3	3.7
Personal services	7.4	7.7	5.2
Retail and repair	25.6	27.0	12.5
Transport and storage	4.3	4.0	7.4
Wholesale	2.9	3.0	2.6
Total	100 (N = 909)	100 (N = 819)	100 (N = 90)
Total locally oriented sectors	42.7	45.3	19.2
Total non-locally oriented sectors	57.3	54.7	80.8

Source: Chamber of Commerce trade register data, period 2005–2007

consists of firms within the ‘retail and repair’ and ‘commercial services’ sectors. The three sectors ‘ICT and media production’, ‘construction and installations’, and ‘personal services’ each account for 7–10 % of the firm population. All other sectors are relatively small. In total, 43 % of the firm population is locally oriented (firms that generally target local customers), and 57 % is non-locally oriented. The locally oriented group entails commercial activities in the sectors ‘retail and repair’, ‘personal services,’ and ‘catering’.

Most firms in our research neighbourhoods are rather small. Of all firms, 75 % have at most two employees, and 95 % of the firms have fewer than ten employees. Many firms, especially within the non-locally oriented group, are likely home-based, but the data do not allow us to distinguish between home-based firms and non-home-based firms. Still, the firms in our five research neighbourhoods account for a total of 2,093 jobs. More than half of these jobs are in just three sectors, namely ‘retail and repair’, ‘commercial services’, and ‘hotels and catering’.

Considering firm mobility patterns in the research neighbourhoods, the first observation is that the share of firm relocations per year is relatively low in the period 2005–2007.

Approximately 90 firms per year left the neighbourhoods, whereas on average, 819 firms stayed (Table 1). However, at 10 %, the out-migration from the five research neighbourhoods is still higher than the Dutch average of 4 % (RPB 2007). There is a striking difference in relocation behaviour among firm sectors. Although stayers are more or less equally divided between locally oriented and non-locally oriented sectors (45 and 55 %, respectively), movers are predominantly non-locally oriented, with 81 % compared with just 19 % locally oriented movers. Presumably, locally oriented firms have a lower inclination or fewer opportunities to move because of regular customers and sunk costs, e.g., on-site investments in premises (Stam 2003). Among sectors, we find that firm relocation is most common in the ‘construction and installation’ sector and the ‘commercial services’ sector. Firms in these two sectors are by nature footloose because they do not depend on local customers, and in the case of construction and installation, most of their activities occur on the road or at different locations. By contrast, firm relocation is notably less common in the sectors ‘catering’, ‘retail and repair’, and ‘personal services’, which are in general serving the ‘passing-by’ customers from the same neighbourhood (Aalders et al. 2008).

In Table 2, we examine the firm relocation distance of movers and compare locally oriented and non-locally oriented sectors. Three notable observations stand out. First, exactly in line with earlier research (RPB 2007), approximately 75 % of all firms that left the research neighbourhoods relocate within the same municipality. Second, even within municipalities, firms tend to relocate across very short distances. For 31 % of all relocated firms, the new location is at most two kilometres from the previous site. Third, some differences between locally oriented sectors and non-locally oriented sectors can be observed. Firms within locally oriented sectors in general move across shorter distances, as 40 % of all locally oriented movers remain within a two kilometre range, compared with only 29 % for the non-locally oriented sectors (significant at the 5 % level). Firms depending on local customers will lose their customer base when relocating across large distances and have to start over with building up their reputation and their clientele elsewhere.

4.2 Firm relocation decisions of movers

In the 20 interviews with entrepreneurs who moved out of the five research neighbourhoods in the period 2005–2007 (movers), we asked the following two questions:

- Why did your firm relocate from the former location in [research neighbourhood]?
- To what extent were you in the period preceding your firm relocation, satisfied with your previous location?

Based on the answers to these questions and their follow-up questions, the main arguments for firm relocation behaviour can be divided into two main categories: private reasons and business-related reasons. Private reasons were most prominent because many of the relocating firms are home-based. For home-based entrepreneurs, changes in lifestyle or household situation, e.g., the birth of children, which increases the demand for living space. This necessitates a private relocation to another dwelling, which automatically means that the home-based firm moves as well. As most home-based entrepreneurs are active within sectors that do not depend on local customers and that are not hindered by high sunk costs, they are relatively footloose. This is clearly illustrated by the following statement by an entrepreneur in ICT who relocated his firm for private reasons:

Table 2 The distance of firm relocations, locally oriented and non-locally oriented firms compared, in mean % for period 2005–2007

	Share of total movers	Share of locally oriented movers	Share of non-locally oriented movers
(a) To another municipality (total)	26.2		
Locally oriented firms		21.2	
Non-locally oriented firms			27.4
(b) Within municipality, beyond 2 km. walk (total)	42.8		
Locally oriented firms		38.5	
Non-locally oriented firms			43.8
(c) Within municipality, within 2 km. walk (total)	31.0		
Locally oriented firms		40.4	
Non-locally oriented firms			28.8
Total	100 (N = 90)	100 (N = 17)	100 (N = 73)

Source: Chamber of Commerce trade register data, period 2005–2007

In 2005, I had my first child, then I had my second, and we lived in a small apartment at that time in Indische Buurt. Yes, we needed more space. More space in Amsterdam is financially not possible for me at the moment, and then you simply go to the periphery of the city. And that was hardly related to what I did [my business]... I work from home but generally [I am] where customers are. So for me... the location is nearly irrelevant, so to say. (ICT, Indische Buurt, Amsterdam)

Another private reason for firm relocation that was mentioned during the interviews is the wish to separate the working sphere from the private sphere because some entrepreneurs felt that by working from home, there was no clear dividing line between their professional and private lives. Relocating to an official business unit or to a dwelling with a distinct business unit helps solve this issue, according to the following statement by an entrepreneur from the ICT sector:

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. (ICT, Regentessekwartier, The Hague)

After private reasons, the local entrepreneurs in weaker neighbourhoods also stated several business-related motivations for their firm relocation. Among these motivations, the need for more business space is mentioned most often. Firm growth is considered an important driver of firm relocation and is generally more important than the quality or attractiveness of the business space. After all, growth implies that (more) employees have to be accommodated or that more storage space is needed, making a firm relocation necessary. This is also reflected by the following statement by a relocated entrepreneur from the business services sector:

The space we had was too small. And within those premises, we could not get more space. So, [it was] very practical... It was a fantastic building... and we were close to Oosterpark. Yes, it was lovely. It was really a pity that we had to leave there. (Business services, Oosterparkbuurt, Amsterdam)

A second business-related relocation motivation mentioned by local entrepreneurs in weaker neighbourhoods is the need for more representative business space. Some firms were home-based initially, but with more visiting clients, this was no longer considered appropriate. Relocating to a proper business space helps to acquire a more 'professional' reputation, as illustrated by the following statement by a Utrecht-based entrepreneur in media production:

I had quite a large bedroom there, which I in fact cut in two, so I slept in one corner and worked in the other one. So that was, in every respect, not an ideal situation... That was also not [an] ideal [situation] when I had to receive customers. That happened. Customers considered it charming in a way, I think, but you do not come across as very serious, of course. (Media production, Overvecht, Utrecht)

Aspects of the neighbourhood itself were mentioned by only a small segment of the interviewed *movers* as the most important reason for firm relocation. For these entrepreneurs, the local market situation, e.g., the demand for their product or service or the number of local competitors, was perceived to be better at the new location. Interestingly, the local liveability situation was never mentioned as the primary reason to relocate but was mentioned as a secondary reason by only a small number of *movers*. In this respect, car theft, break-ins, or the fear thereof in particular were considered negative features of the previous neighbourhood, as the following statements from relocated entrepreneurs clearly show:

...And also the neighbourhood was not perfect...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. (Construction, Overvecht, Utrecht)

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, et cetera. (Business services, Overvecht, Utrecht)

It is also interesting that after moving to another neighbourhood, some of the interviewed entrepreneurs acknowledged unforeseen benefits related to the current neighbourhood's characteristics, even though these aspects of the previous neighbourhood were initially no reason for leaving. These unforeseen benefits were related to the better reputation of the new neighbourhood, and especially how their neighbourhood is perceived by visiting customers. According to the entrepreneurs, being located in a better neighbourhood also improves the image of the firm to the outside world, e.g., potential customers. Another unforeseen benefit of relocation that was mentioned is related to better market potential, and not only for locally oriented firms.

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. (Construction, Moerwijk, The Hague)

Thus, the neighbourhood itself played only a very small role in local entrepreneurs' past firm relocation decisions. In line with the existing literature, firm growth in particular and the resulting demand for a larger or more representative business space are the main factors

in firm relocation (Pen 2002). Additionally, for firm relocations that follow a private move of the entrepreneur, the demand for living space in general outweighs the characteristics of the neighbourhood. Although some entrepreneurs express concerns about the liveability of their living or working environment, this is never mentioned as the primary reason for relocation.

4.3 Firm relocation propensity for stayers

During the interviews, all 20 entrepreneurs who stayed in the research neighbourhoods were asked the following interview questions about their inclination to relocate from their current site in the near future: “*Do you intend to relocate your firm in the coming two years, and why/why not? And if so, where to?*”

Based on the answers given, the *stayers* can be divided into one group that does not want to relocate in the near future and one group that does want to relocate.

The first group consists of 14 entrepreneurs, of which eight entrepreneurs definitely want to stay at the current site and mention several reasons for this resoluteness. The most often mentioned motivations are related to the local market. Regular customers, satisfactory firm performance or low levels of competition at the present location make firm relocation unnecessary or even undesirable, as the following statements illustrate:

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 [if you relocate] you have to start all over again. Then you lost them all... This is no office or so where you only use the telephone. It is all a matter of being able to walk in. (Retail, Indische Buurt, Amsterdam)

No, not within the next two years, in any case. It is a small shop, and it is always extra profitable for me. (Catering, Moerwijk, The Hague)

The other six entrepreneurs within the first group of stayers did not have an explicit wish to move and were satisfied with their location for the moment. However, they also did not completely rule out a future firm relocation in case of firm growth. For example, hiring more employees would make relocation desirable or even necessary. Likewise, if an attractive alternative is offered elsewhere, in particular a site at a better location for a reasonable price, entrepreneurs may change their mind about wanting to relocate. This is shown by the following excerpts:

Yes and no. It depends on the growth actually. Look, if we would grow very quickly in the next two years, then we would have to [relocate]. (Business services, Overvecht, Utrecht),

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 [relocation]... That is very difficult in Amsterdam. (Business services, Indische Buurt, Amsterdam)

The second group of stayers consists of six entrepreneurs who would like to relocate. However, not all of these entrepreneurs expect this relocation to take place. Four (locally oriented) entrepreneurs within this group indicated that they would like to move but cannot. Although the current location does not live up to their expectations anymore, high sunk costs, such as investments in the building, make it difficult or impossible to relocate. These four entrepreneurs mention several reasons for wanting to relocate, most of which

are related to the neighbourhood itself. In particular, a downgrading of local spending power or the local economic structure in general (less attractive mix of firms in the neighbourhood) negatively influence entrepreneurs' satisfaction with their neighbourhood and stimulate the propensity to relocate:

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 [to spend]. Well, and of course that affects you through people's spending behaviour. It is as simple as that. (Personal services, Overvecht, Utrecht)

Additionally, a lack of financial means is mentioned as a barrier to relocation, despite an explicit wish to do so, as becomes clear from the following statement by an entrepreneur in the catering sector from The Hague:

I have no plan [to relocate], because I have no money. If I had the money, I would move next week... This street used to be lively, but now it is dead. I would say, those companies have vanished silently. (Catering, Regentessekwartier, The Hague)

The other two entrepreneurs in the group that wants to relocate actually expect to relocate in the next 2 years. Two different motivations for their wish to relocate, both related to the need for space, were mentioned, namely, the size of the current premises and changes in the entrepreneur's private situation (family enlargement):

Our expectation for the future is that we will buy our own premises, from February onwards or so... The reason is enlargement, right. (Business services, Regentessekwartier, The Hague)

It has nothing to do with the firm. It is a family extension... Our little one is now growing bigger, and you can only do this much [space is limited] in a large two-room apartment. Or you can renovate it and divide it in small compartments. That is a possibility, but if that solves the problem? I do not think so. (Business services, Oosterparkbuurt, Amsterdam)

This type of firm relocation does not always mean that entrepreneurs are dissatisfied with their current neighbourhood; rather, they may be dissatisfied with their current dwelling. If a new dwelling that meets their standards can be found within the same neighbourhood, some satisfied entrepreneurs can be retained in the neighbourhood. The home-based entrepreneur from the fourth group of stayers clearly illustrates this in the following statement:

[I am] so satisfied that I want to stay in the neighbourhood, in another dwelling. It is a multicultural neighbourhood, we like that. It is a big city, but in a way, it is also like a village. So... it is charming... If necessary, I would move outside the neighbourhood. But it is not my desire... And the reason that we stay is the central location, but also the importance of a stable school environment for the children (Business services, Oosterparkbuurt, Amsterdam)

The main reasons for relocating or staying are summarised in Table 3. We can conclude that the firm-relocation propensity of entrepreneurs is, in general, low in our five research neighbourhoods. The most important factors on both the push and pull side are related to *firm-internal* factors (e.g., growth), market aspects and private reasons. Although for some entrepreneurs characteristics of the neighbourhood are mentioned as 'push factors', e.g., the local economic situation, this 'push factor' is often overruled by other factors

Table 3 Reasons for relocating and staying

	Firm internal reasons			Firm external reasons			
	Growth	Financial constraints	Sunk costs	Quality of business space	Market: local spending power	Liveability	Private considerations
Movers							
Private reasons				Push			Push
Business related reasons	Push			Push			
Stayers							
Definitely stays				Keep	Keep		
Most likely stays	Push			Push			
Would like to but cannot relocate		Keep	Keep		Push	Push	
Definitely relocates	Push			Push			Push

(relocation costs or previous investments in premises) that prevent actual firm relocation. For other entrepreneurs, the neighbourhood is in fact a ‘keep factor’. This relates particularly to regular customers, and some entrepreneurs mentioned that they like the neighbourhood or that they appreciate the attractive living environment. However, if no suitable property can be found within the same neighbourhood, firm relocation to another neighbourhood is still likely to take place.

5 Conclusions

This paper has studied how relocation behaviour and the relocation propensity of entrepreneurs in weaker neighbourhoods are triggered by neighbourhood characteristics. A distinction was made between the reasons for firm relocation during the period 2005–2007 and entrepreneurs’ general inclination to relocate in the near future. We collected this information by conducting 40 in-depth interviews with entrepreneurs in five weak neighbourhoods in the Netherlands, equally divided between stayers and movers. This research design enabled us to analyse the following research questions: “*Which characteristics of weaker neighbourhoods play a role in local entrepreneurs’ past relocation decisions and why?*” and “*Which characteristics of weaker neighbourhoods play a role in local entrepreneurs’ future relocation propensity and why?*”

Based on an examination of Chamber of Commerce data sets, three overall conclusions on firm mobility in our five research neighbourhoods stand out. First, firm relocation figures from the five research neighbourhoods are rather low, not more than 10 % of the total firm population in the five research neighbourhoods relocated during the period 2005–2007. Although this figure is still higher than the overall proportion in the Netherlands (4 % have relocated), it seems that in weaker neighbourhoods, most entrepreneurs tend to stay put. Second, the vast majority (81 %) of movers are active within non-locally oriented sectors, whereas stayers are more equally dispersed across locally oriented and non-locally oriented sectors. Third, firm relocations take place across relatively short distances. For the 2005–2007, on average, two-thirds of all movers had relocated within a 2-km range, whereas only 25 % had left the municipality.

The main contributions of this paper to the current firm relocation literature are the studying of firm relocation behaviour from the perspective of the entrepreneurs, thereby taking into account both past relocations and future relocation propensity. The qualitative part of our empirical study results in four main conclusions on which factors steer firm relocation.

First, the interviews suggest that entrepreneurs in weaker neighbourhoods consider the business premises far more important than aspects of the neighbourhood itself. If the premises no longer meet expectations, this may stimulate entrepreneurs to relocate, even if entrepreneurs are satisfied with the neighbourhood in which they are located. Based on the interviews, this not only concerns relocations that result from firm growth but also privately driven relocations, which tend to be more often driven by the quality of the dwelling than by the quality of the neighbourhood. For home-based entrepreneurs, changes in the household situation may increase the demand for living space and result in a private relocation to another dwelling. Their home-based firm automatically moves with them, even though the relocation had nothing to do with the firm.

Second, although local spending power and liveability certainly appear to be a concern for some local entrepreneurs, especially when directly influencing firm performance, these neighbourhood characteristics are never mentioned during the interviews as the main drivers of both past relocation and relocation propensity. At most, neighbourhood characteristics are mentioned as a secondary reason for relocating, after the need for more space, either for business-related or private reasons.

Third, related to relocation propensity, the qualitative analysis gives an indication that even if entrepreneurs are strongly dissatisfied with the economic and social profile of their neighbourhoods and therefore express a desire to relocate, (combinations of) factors such as high relocation costs, the fear of losing regular customers or previous investments in their premises (*sunk costs*) prevent relocation.

Fourth, the interviews suggest that for entrepreneurs in weaker neighbourhoods, neighbourhood liveability is also not relevant as a 'keep' factor because firm-internal aspects such as the demand for business space and changes in private housing preferences always seem to outweigh the attractiveness of the neighbourhood. When no appropriate business space or living space is found within the neighbourhood, entrepreneurs easily move to other neighbourhoods, even if they are in general satisfied with, or even attached to, their neighbourhood.

Thus, we follow PBL (2010) in their conclusion that firm relocation behaviour is mainly explained at the firm level rather than the neighbourhood level. In fact, although in their study certain liveability aspects at the neighbourhood level are significantly related to firm relocation, our qualitative empirical study indicates that these aspects hardly play a role in either relocation decisions or relocation propensity in the mind of entrepreneurs.

We are aware of three limitations that need to be considered in future research. First, although our initial aim was to find an equal number of locally oriented firms and non-locally oriented firms for our interviews, we encountered difficulties in finding locally oriented movers. Only one of the interviewed movers was active in a locally oriented sector, which illustrates the lower firm relocation propensity of locally oriented firms. However, because of this over-representation of non-locally oriented firms, we cannot investigate whether firm relocation decisions and the motivations underlying them differ between locally oriented and non-locally oriented sectors.

Second, our focus on disadvantaged neighbourhoods within the largest cities of the Netherlands provides insight in the relocation propensity of entrepreneurs within supposedly unattractive business contexts, but it makes it difficult to generalise our results to other types of neighbourhoods and in other parts of the country. Still, the low significance

of neighbourhood characteristics for relocation decisions and propensity in these five weaker neighbourhoods makes it unlikely that neighbourhood characteristics play an important role for entrepreneurs in other neighbourhood contexts.

Third, we are aware that the results of 40 interviews with entrepreneurs in weaker neighbourhoods cannot be generalised to all entrepreneurs. In particular, within the group of stayers, the number of respondents per category is rather small. Future research can make a valuable contribution by checking the reliability of this study's findings by using a larger sample.

Based on the results of our study, future research on firm relocation behaviour and the firm relocation propensity of entrepreneurs within (weaker) residential neighbourhoods should focus especially on entrepreneurs' preferences in their business property or dwelling, as in the case of home-based firms. A living environment that is positively evaluated by entrepreneurs is sometimes even mentioned as a keep factor, as long as the demand for business space can be met and the local market situation does not hamper firm performance. Many (home-based) entrepreneurs are rather satisfied with their neighbourhoods, but due to firm growth or personal circumstances or preferences, they are not satisfied with their property.

Investing in neighbourhood liveability is thus important, but it is not enough to retain entrepreneurs in neighbourhoods. Policy makers aiming at attracting or retaining entrepreneurs within weaker residential districts should maintain a balance between the local demand for and the local supply of business space, as long as the accommodation of firms does not conflict with the residential function of the neighbourhood.

By developing a diverse supply of business properties, including, for example, multi-tenant business centres or multi-purpose properties (with a combined residential and commercial function), many potential movers can be retained within the neighbourhood. It may be difficult to keep fast-growing firms within the neighbourhood because space is limited in residential neighbourhoods, and large-scale business activities may conflict with the dominant residential function. However, preventing the out-migration of home-based entrepreneurs and other smaller firms may be a first step toward strengthening the economic profile of weak residential neighbourhoods.

Acknowledgments The authors would like to thank Veronique Schutjens (Utrecht University) for her valuable input and cooperation while setting up and conducting the fieldwork, and the Chamber of Commerce Amsterdam (Jan Jans and colleagues) for making available the data on firm mobility in the research neighbourhoods.

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