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Relatedness through kinship
The importance of family co-occurrence for firm performance

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Abstract
The aim of the thesis is to analyse the effects of family co-occurrence and past familial relationships (inherited entrepreneurial abilities) on firm performance. This aim is motivated by the contemporary arguments that social relations (e.g., family ties) are important in the analysis of today's space economy. In most studies, the point of departure in the analysis of firm performance has often been to analyse and examine the cognitive resources available in a firm, as well as a firm's geographical closeness to related firms and industries. However, this argument has been challenged, and it is further suggested that social relations, and for that matter family relations (or family co-occurrence), may be important in the analysis of firm performance. To test this argument, the analysis is based on longitudinal data comprising various register data on the Swedish population and firms.

To examine the aim, three different but related questions were analysed: the first analysed the prevalence of family employment across different regions and how this affects firm performance; the second examined the relationship between entrepreneurs' familial relations (co-occurrence of different family relations) and skill variety, on one hand, and how the relationship affects firm performance on the other; and the third examined the effects of present family relations (family firms) and entrepreneurial capital (EC, inherited entrepreneurial capability from self-employed parents – past family relations) on the survival and growth of new entrants. Questions 1 and 2 were explored by applying simple ordinary least squares (OLS) and fixed effects (FE) regressions, respectively. Question 3 was explored by employing an event-history analysis (survival analysis) to determine the time to exit and OLS for the growth analysis.

The results show that family co-occurrence in firms (be they family or non-family firms) positively affect labour productivity. At the same time, the results show that some specific family relationships are more important than others in terms of impacting labour productivity. Moreover, the results indicate that family firms, in particular, benefit the most from having family members employed in the firm, especially when this involves family relationships such as couples and/or children. The co-occurrence of couples and/or children in family firms moderates the negative impacts of similarities and unrelatedness of skills on productivity. The results show that the impacts of family co-occurrence are greater in smaller specialized regions than diverse and larger ones. Thus, while the family positively correlates with firm performance, this is mainly the case in specialized regions. The results further show that family firms are not more resilient, as the literature argues; but this effect is confounded by EC. The implication is that it is not family firms *per se* that are resilient but rather firms with entrepreneurial experience from parents, especially in rural regions; meanwhile, family firms create more jobs. However, the analysis could not identify a clear regional effect of the role of family firm on job creation. In this sense, the present thesis provides important insight into why the family constitutes an important part of the firm production setup. The findings show that it is necessary and important to consider the family, and family firms, in the larger regional development framework. Moreover, while reflecting on the importance of the family in relation to firm performance, we should also not lose sight of the fact that there is a latent risk in family co-occurrence in firms: it is not a problem—until it becomes a problem.