

# FIRM GROWTH DURING STRETCHES OF RECESSION: MODES OF RESILIENCE OF AUSTRIAN FIRMS 2002-2011

ESPON 2013 Scientific Conference  
Science in Support of European Territorial  
Development and Cohesion

University of Luxembourg  
12-13 September 2013

Michael Steiner  
*University of Graz*  
*Department of Economics*

**steiner+partner**

Michael Wagner-Pinter  
*Synthesis Vienna*

# HIGH GROWTH FIRMS AS „OBJECTS OF DESIRE“

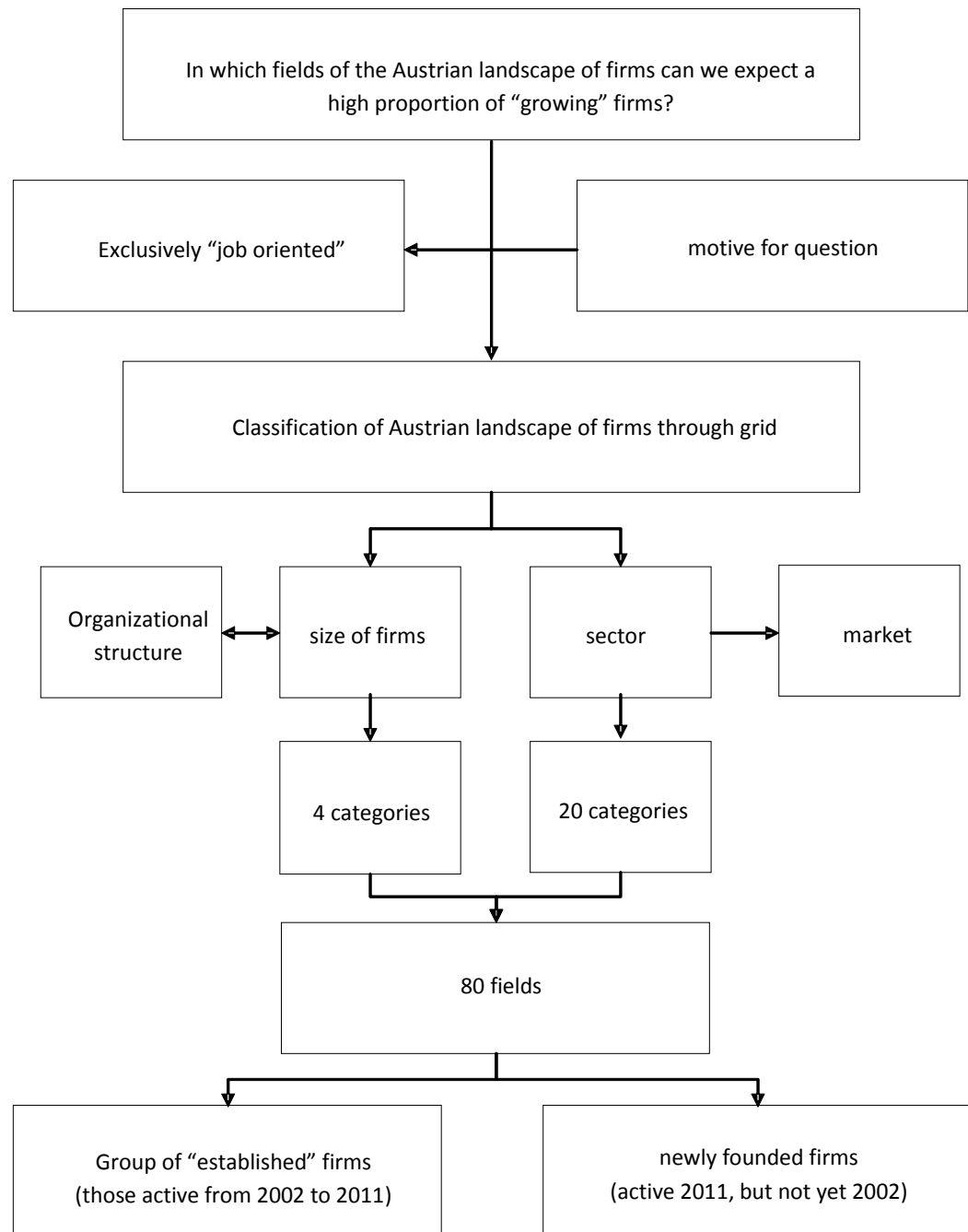
- long term growth perspectives of regions in need of firms with sustainable dynamism
- in search of firms revealing capacities of continuous development processes
- Landscape of firms with dynamic growth (including turn around)
- relevance for policy support in face of restricted budgetary means and place based orientation

# FAQ

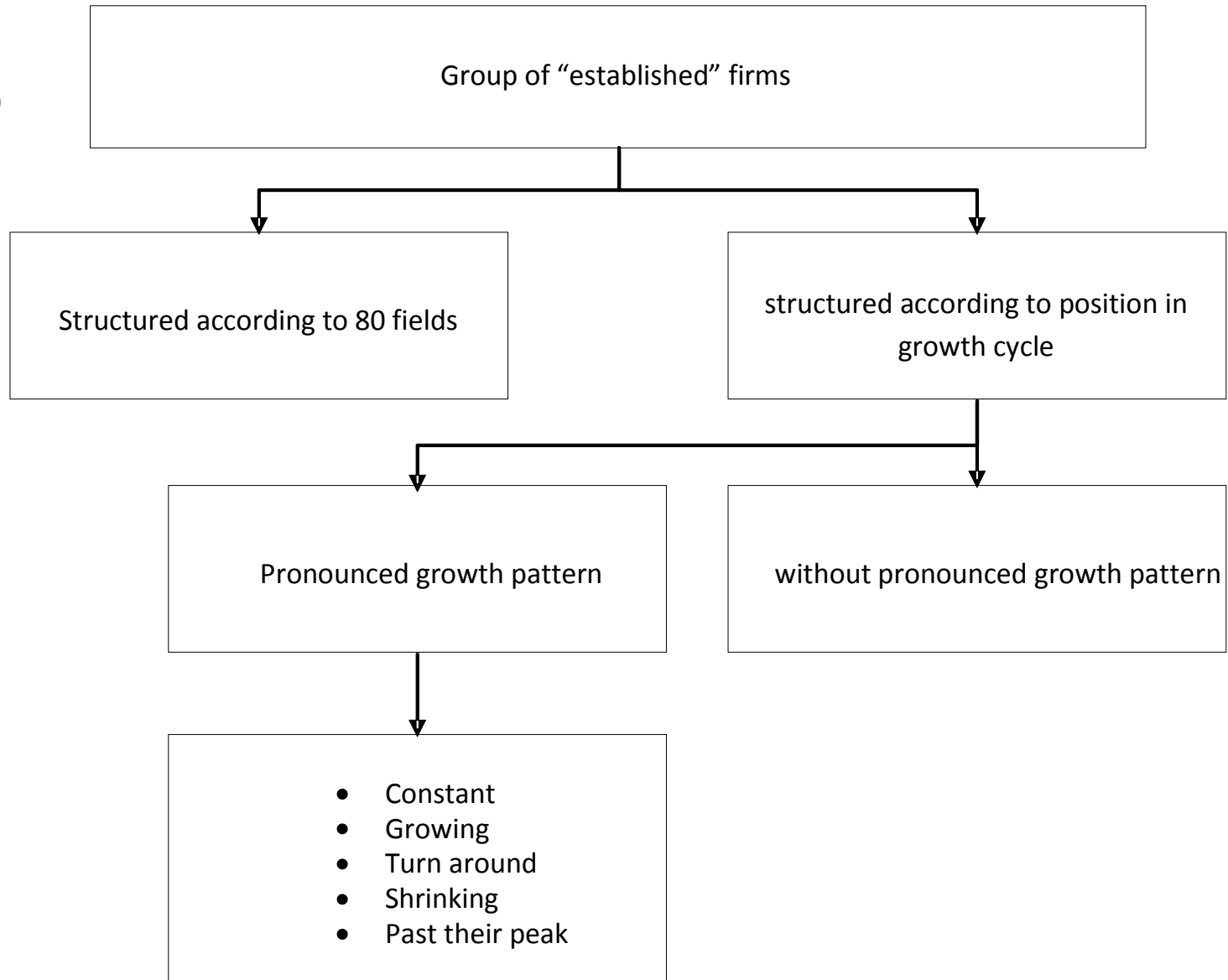
- which type of firms drive aggregate growth
  - Henrekson, Johansson 2010: Gazelles as Job Creators
- firm size and job creation
  - Birch 1981: Who creates jobs?
  - Davis, Haltiwanger, Schuh 1996: Small Business and Job Creation: Dissecting the Myth and Reassessing the Facts
  - Neumark, Wall, Zhang 2011: Do Small Businesses Create More Jobs? New Evidence for the United States
- entrepreneurship and job creation
  - Acs, Armington 2006: Entrepreneurship, Geography, and American Economic Growth
  - Fritsch 2008: How does new business formation affect regional development?
  - Tsvetkova 2012: Innovation, entrepreneurship, and regional economic outcomes
- all kinds of methodological and data questions
  - Davidsson 1996, Okolie 2004, Hözl 2013

# OUR APPROACH

Developing a grid  
for a landscape  
of Austrian firms

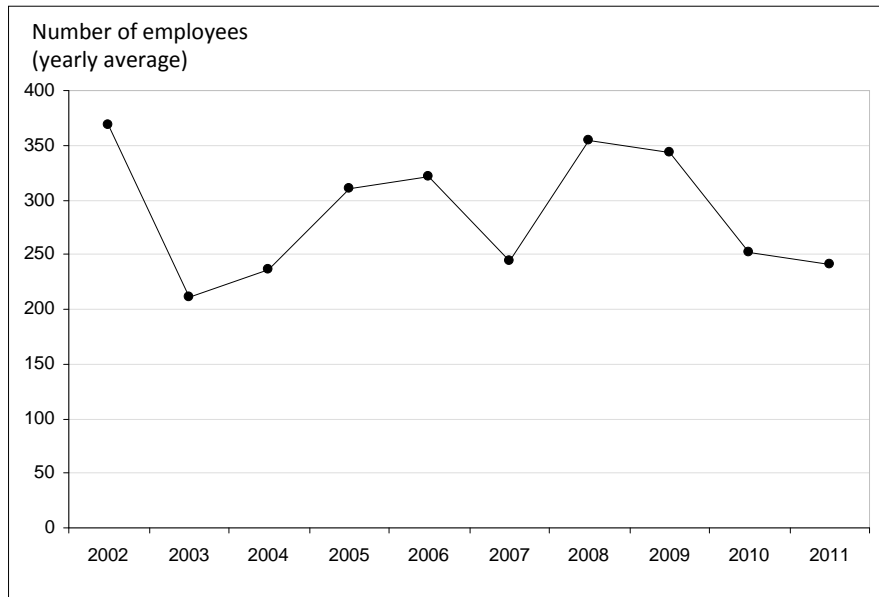


# GROUP OF ESTABLISHED FIRMS AND THEIR POSITION DURING GROWTH CYCLE

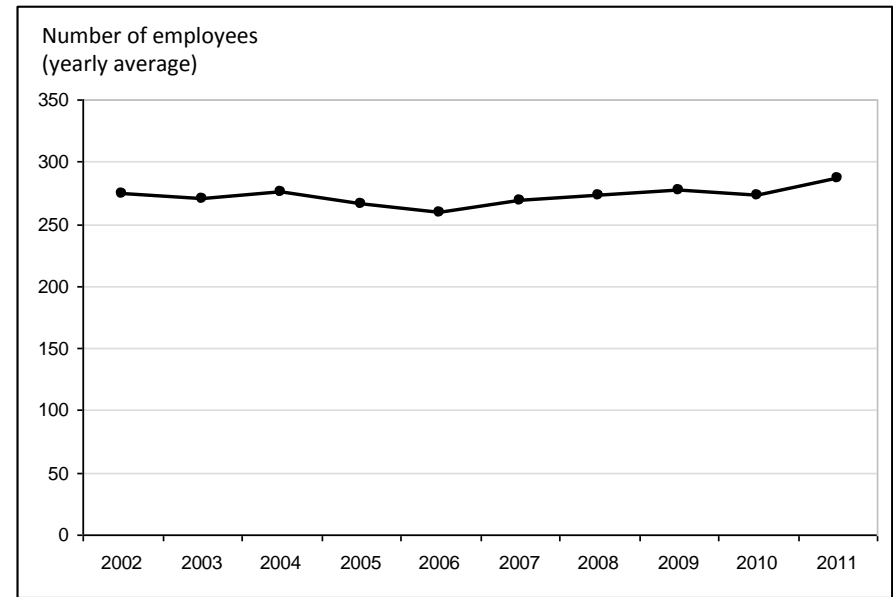


# GROWTH PATTERNS: DEVELOPMENT OF EMPLOYMENT 2002 TO 2011 FOR AN EXEMPLARY FIRM

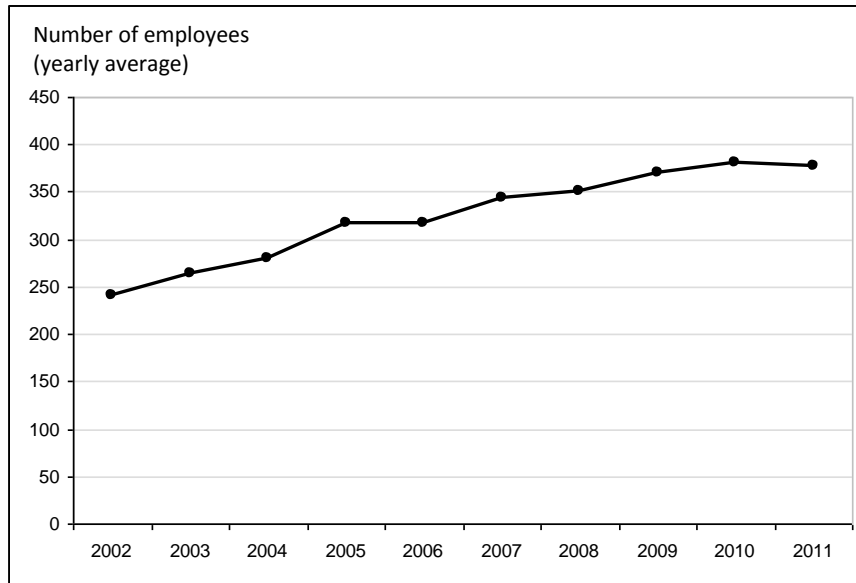
## STRONGLY FLUCTUATING



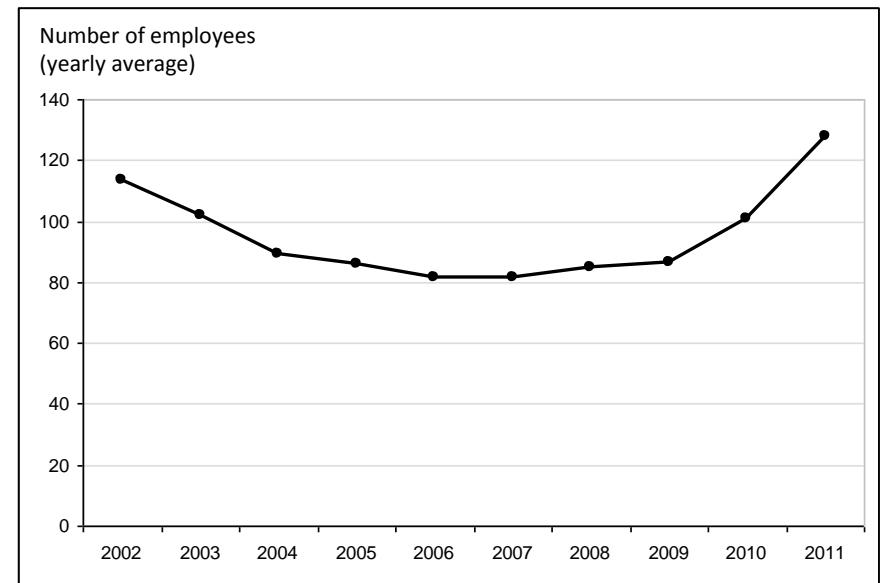
## CONSTANT



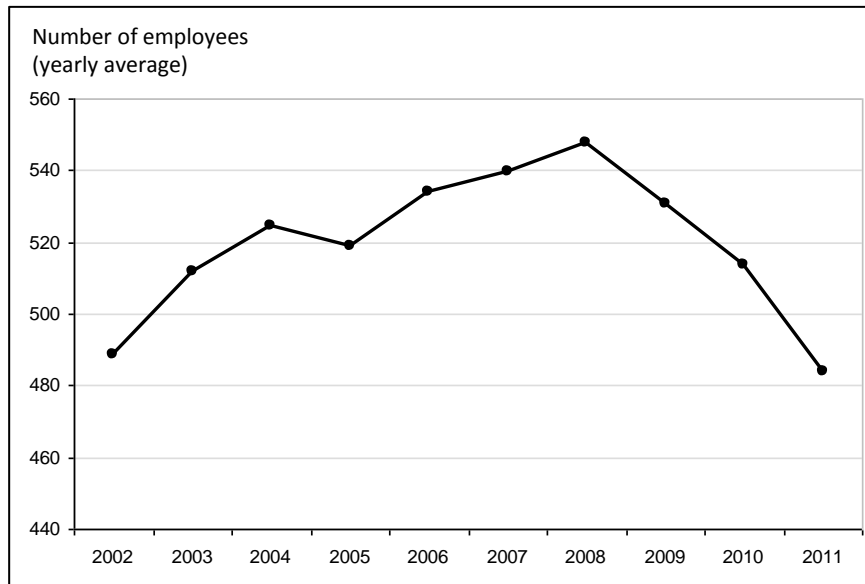
## CONTINUOUS GROWTH



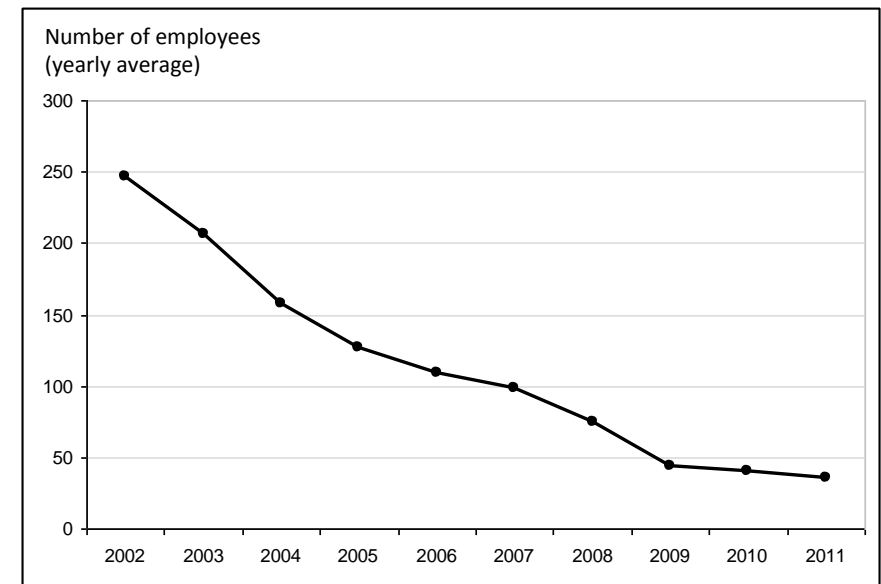
## TURNAROUND GROWTH



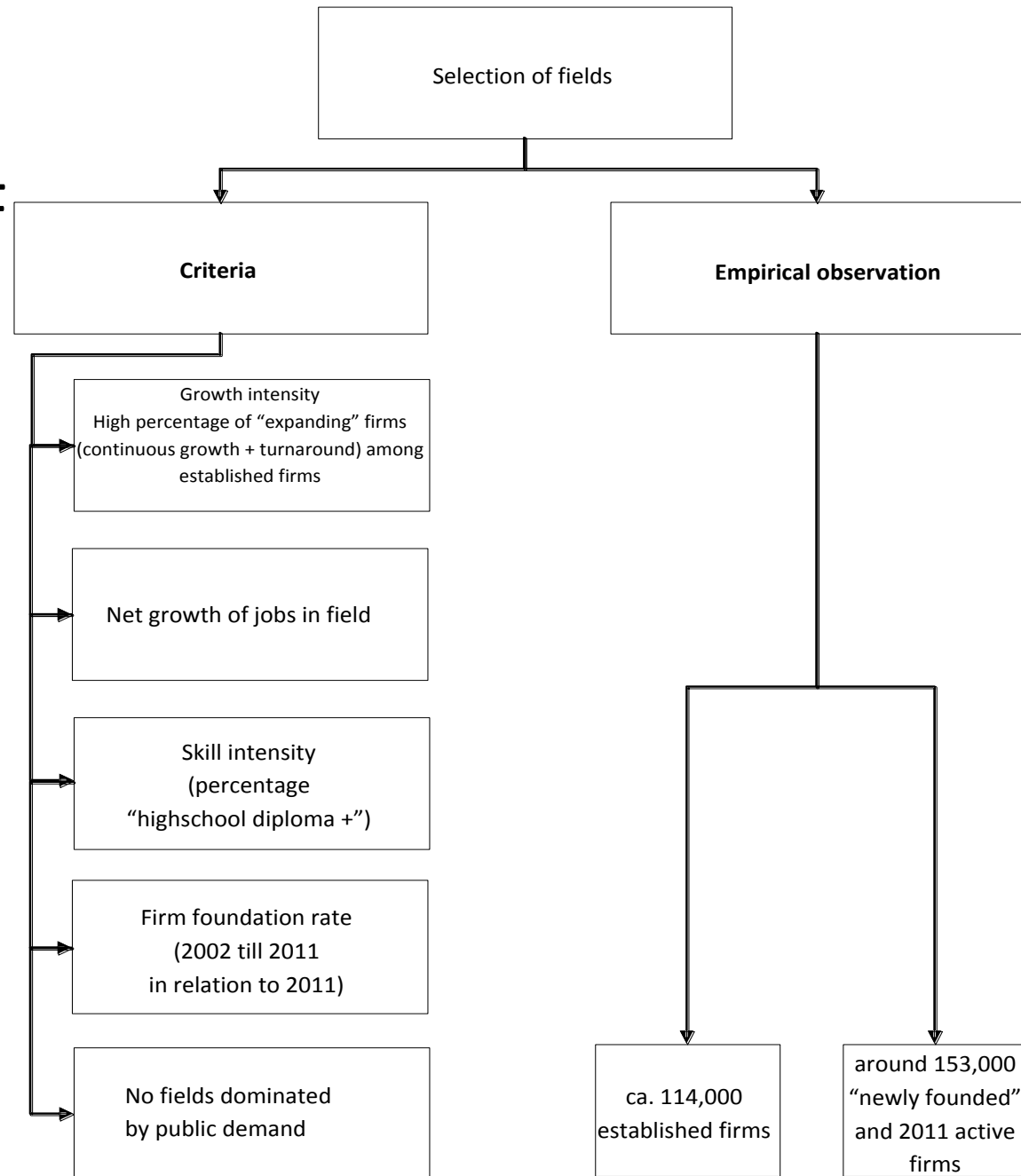
## PAST THEIR PEAK



## CONTINUOUS SHRINKING



# OUR FOCUS: CRITERIA FOR SELECTION OF „PROMISING“ FIELDS OF LANDSCAPE





# RATING OF ACTIVITY FIELDS OF FIRMS

System of indicators which show for specific fields of firm landscape their index value:

Index value for field with maximum characteristic value = 100

All other values are quotients derived from the characteristic value of the specific field (numerator) divided by the maximum characteristic value (denominator) x 100

4 basic indicators:

- growth intensity
- absolute increase of jobs
- skill intensity
- firm foundation

# FIRM GROWTH PATTERN AS INDICATOR

Value of indicator (from 1 to 100) for growth intensity of field  
characterized by sector and firm size

Firm active 2011/founded before 2002

Sector	Size (number of jobs)			
	up to 9	10 to 49	50 to 249	250+
Agriculture	21	30	—*	—*
Mining	28	—*	—*	—*
Manufacturing	16	35	38	41
Energy	22	—*	—*	—*
Water supply/waste disposal	23	—*	—*	—*
Construction	15	29	41	40
Retail	20	39	42	55
Transport	17	37	47	30
Tourism	20	37	43	—*
Information/Communication	17	43	42	—*
Finance/Insurance	19	36	45	24
Real estate	8	40	—*	—*
Indep. prof. serv, scient./techn.	19	44	56	—*
Other business services	17	37	38	48
Education	22	44	—*	67
Healthcare, welfare	24	55	69	74
Arts, entertainment, recreation	21	35	—*	67
Other services	12	—*	—*	—*
Private households	15	—*	—*	—*
Exterritorial organisations	14	46	—*	—*

*Basic indicator A: Value of index (highest value of one of the 80 fields =100) of share of growing firms and turnaround firms among all 2002 to 2011 firms*

# THE 'TOP FIELDS' OF LANDSCAPE OF FIRMS ACCORDING TO SECTOR AND SIZE

	Order of fields according to indicators			
	Rank 1	Rank 2	Rank 3	Rank 4
Basic indicator A: »growth intensity«	ind. prof, sc/tech. services 50 – 249	retail 250+	o. business serv. 250+	transport 50 – 249
Basic indicator B: »growth of jobs«	retail 250+	manufacturing 250+	o. business services 250+	retail 50 – 249
Basic indicator C: »skill intensity«	ind. prof, sc/tech. services 50 – 249	info/com 50 – 249	info/com 10 – 49	finance 250+
Basic indicator D: »firm foundation«	info/com – 9	o. business services – 9	finance – 9	construction – 9
Total indicator (sum of index values)	nd. prof. sc/tech. services 250+	o. business services 250+	retail 250+	manufacturing 250+

# THE 'TOP FIELDS': OVERVIEW

4 fields according to sector and size (number of employees)				
Selected criteria of the 4 top firms of landscape of firms	Firms of size 250+			
	ind. prof., scientific/ technical serv.	manufacturing	o. business serv.	retail
• number of firms	12	333	69	158
• number of »dynamic« firms	8	135	27	84
• number of additional jobs 2002–2011	+ 3,500	+ 22,300	+ 21,700	+ 3,300
• share of jobs with skill »highschool diploma + «	58.7 %	20.3 %	20.4 %	13.9 %

*Due to the size of firms (250+) the foundation rate is in none of the fields of greater importance*

# SPECIFIC RESULTS

Empirically definable and delimitable group of firms which are

- long enough established (at least 10 years) to become reliable partners for economic policy
- continually growing (or having mastered turnaround) over longer period
- active in fields of the landscape of Austrian firms which contribute to job growth

This group of firms comprises mainly big firms in a few sectors:

- firm size larger than 250 employees
- main drivers in creation of jobs are manufacturing (+22.300) and other business services (+21.700)
- yet it is a limited number of firms within these fields which are drivers
- neither skill intensity (except independent professionals and scientific/technical services) nor the firm foundation rate are of greater importance in these fields

# CHALLENGES FOR PLACE BASED POLICIES

Positive news: obvious drivers do exist and are important players within their specific region.

How to reach these firms?

- high risk of loss in case of criteria based programmes
- these spreading losses increase with declining size of firms
- at the same time the number of potential firms looking for promotion and subsidies is growing
- risk is especially high with regard to firms with small number of employees – in every sector this field is losing jobs over longer periods – subsidies here may lead to competitive crowding out
- findings favour selective forms of support – instead of criteria based programmes rather competition based (“calls”)
- Job creation not only purpose of territorial approach in policies

*We gratefully acknowledge financial support by the European Recovery Program Fund of the AWS - Austria Wirtschaftsservice GmbH.*

Other challenges and questions?

Thank you for your attention!