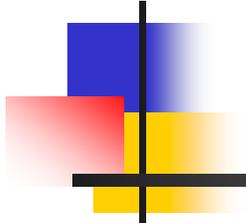


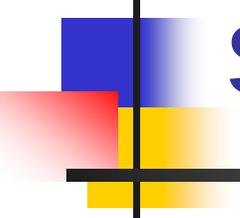
Context of Founding and Survival Chances of Businesses

Rolf Ziegler
Institute of Sociology
Ludwig-Maximilians-University Munich



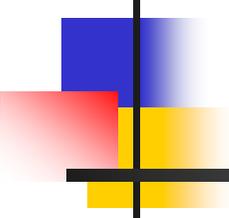
Hypothesis of „organizational imprinting“

„Imprinting refers to a process in which events occurring at certain key developmental stages have persisting, possibly lifelong, consequences. Environmental imprinting is a form of imprinting whereby specific environmental characteristics get mapped onto an organization's structure and affect its development and life chances.“



Context of Founding and Survival Chances of Businesses

Comparison of survival chances of newly founded businesses in the region of the chamber of commerce of Munich and Upper Bavaria during the years

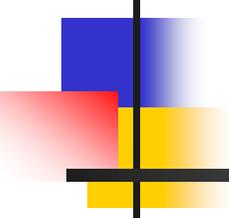


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Comparison of survival chances of newly founded businesses in the region of the chamber of commerce of Munich and Upper Bavaria during the years

1985/86

(n=29.976)

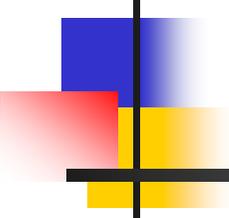


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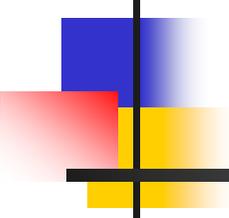
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1985/86
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(n=54.284)

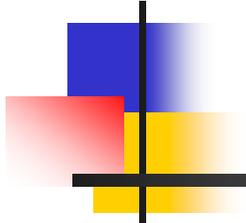


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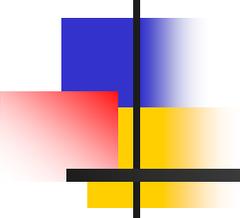
1985/86	1990/91	1993/94
(n=29.976)	(n=61.524)	(n=54.284)

based on registration data



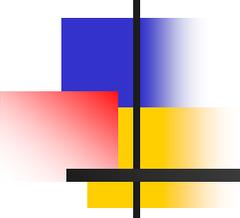
Five research questions





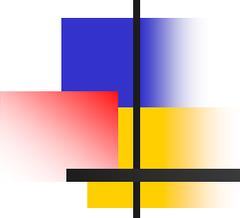
Five research questions

- **Are there differences among the founding cohorts with regard to branch of industry, legal form and location?**



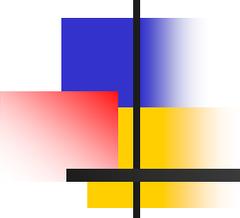
Five research questions

- Are there differences among the founding cohorts with regard to branch of industry, legal form and location?
- **Are there differences of survival chances among the founding cohorts?**



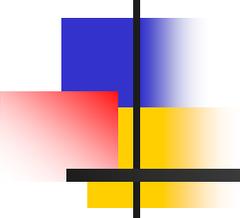
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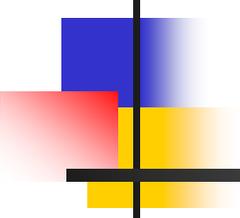
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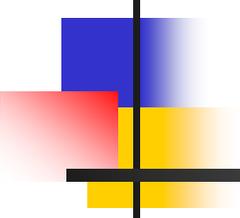


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- **What may be the causes of these sustainable effects?**

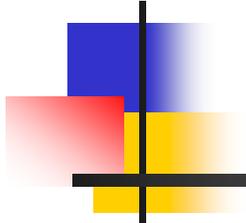


Comparison of the three cohorts



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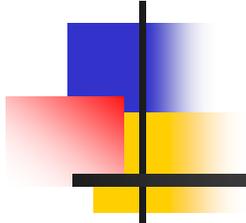
1985/86: start of a period of economic growth; the recession of 1981 to 1983 had been surmounted



Comparison of the three cohorts

1985/86: start of a period of economic growth; the recession of 1981 to 1983 had been surmounted

1990/91: culmination of the period of growth; boom after German unification



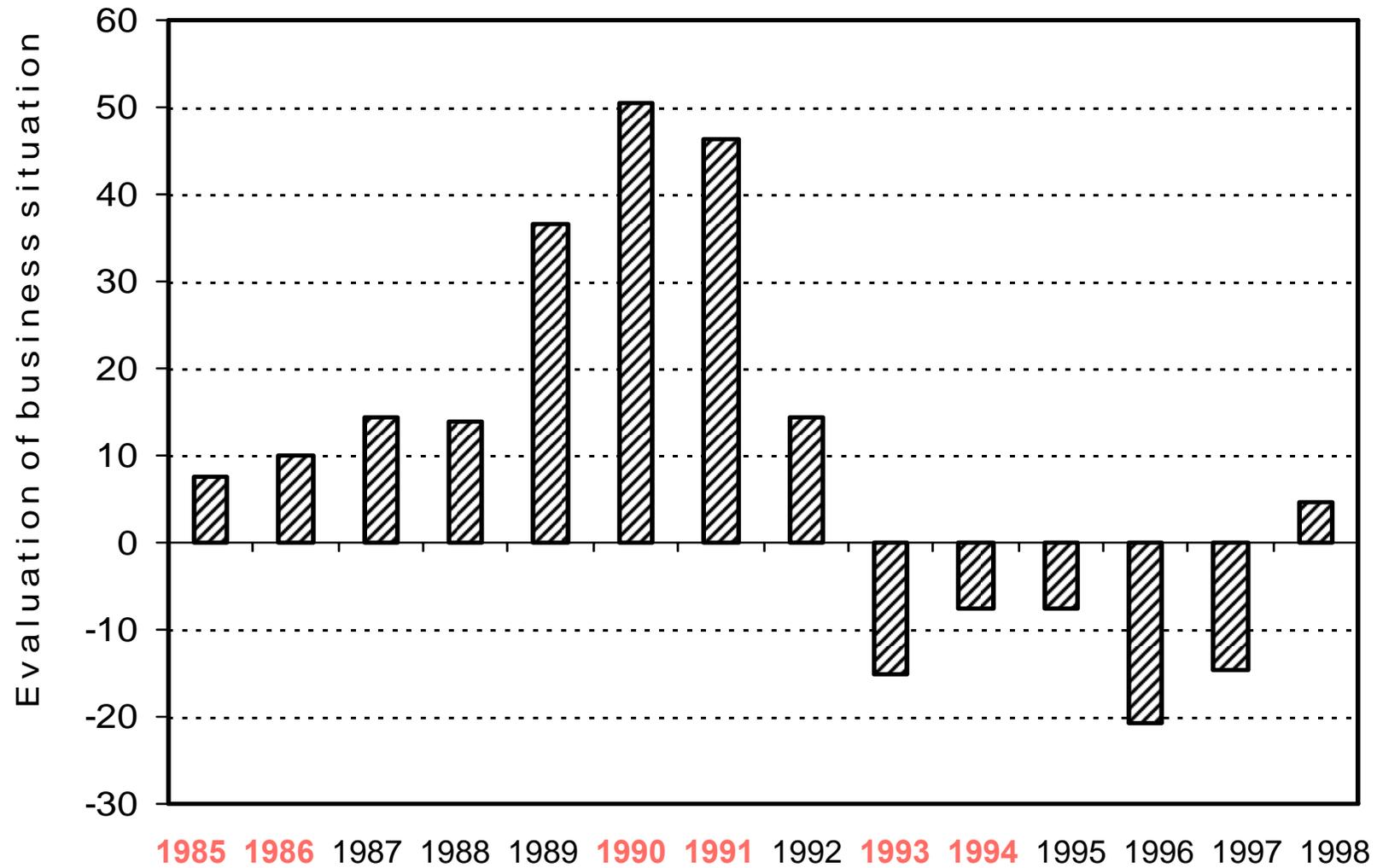
Comparison of the three cohorts

1985/86: start of a period of economic growth; the recession of 1981 to 1983 had been surmounted

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1993/94: crisis in the business cycle

The „business-barometer“ of the Munich chamber of commerce



Characteristics of Newly Founded Businesses

Characteristics of Newly Founded Businesses

Branch of Industry

Manufacturing, Energy

Construction

Wholesale

Retail

Hotels and Restaurants

Transportation and Communication

Financial Services, Insurances

Business-related Services

Person-related Services

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Legal Form

Small Tradesmen

Registered Firm (personal liability)

Capital Firm

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Location

Munich-city
Munich Greater Area
Other Regions of Upper Bavaria

Characteristics of Firm Context

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Branch-specific business situation at time of founding

(Difference between proportion of optimists and pessimists)

actual business situation

expected business development

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registration quota *(branch-specific fraction of number of newly registered to number of existing firms)*

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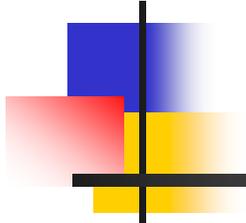
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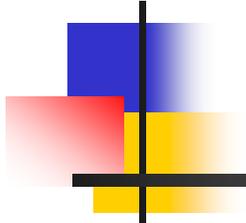
Business cycle (time-dependent covariate)

actual business situation

expected business development

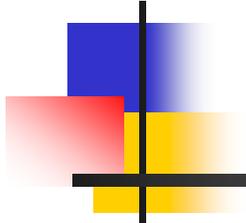


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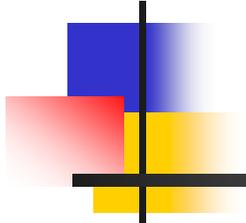
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- **Increasing number of foundings in the tertiary sector of business-related services**



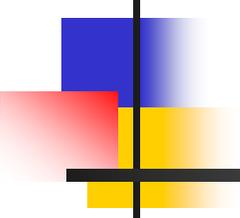
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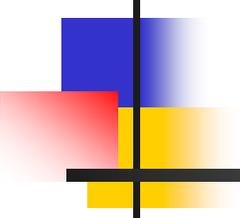


1. Are there differences among the founding cohorts with regard to branch of industry, legal form and location?

- **Increasing number of foundings in the tertiary sector of business-related services**
- **a higher proportion of small tradesmen**
- **declining number of founding activities in the city of Munich, rising numbers in the greater Munich area**

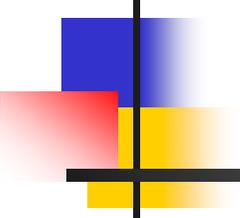


2. Are there differences of survival chances among the founding cohorts?



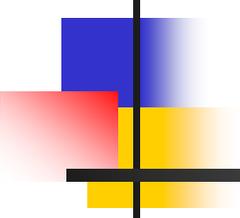
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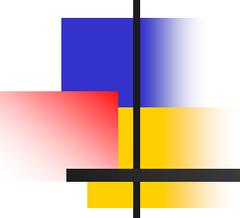
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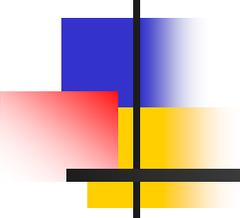


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- After four years, **60,1%** of firms founded during the boom **1990/91** still did exist
- out of the first cohort **1985/86** still **57,6%** did exist
- but only **54,3%** of the foundings during the crisis **1993/94** survived four years.

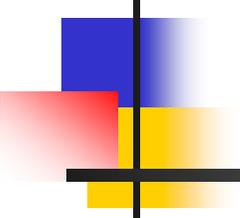


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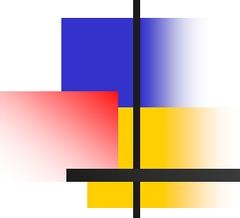
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- **During boom phases influencing factors recede in importance – though still remaining effective.**



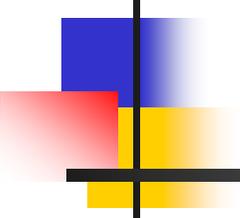
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- During boom phases influencing factors recede in importance – though still remaining effective.
- Another way to formulate it would be: during a boom „all“ businesses perform well, but during a period of crisis the factors influencing survival chances – like branch-specific demand, size and location – are getting more important.



The two final research questions

- 4. Do there exist sustainable effects of the founding context on the survival chances after controlling for other factors – as the hypothesis of „organizational imprinting“ postulates?**



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- 4. Do there exist sustainable effects of the founding context on the survival chances after controlling for other factors – as the hypothesis of „organizational imprinting“ postulates?**
- 5. What may be the causes of these sustainable effects?**

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- Significance levels are: .01* and .001**

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**				
1993/94	+6**				
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy					
construction					
wholesale					
hotels and restaurants					
transportation and communication					
financial services, insurances					
business-related services					
person-related services					
<i>legal form (reference group: small tradesmen)</i>					
registered firms					
capital firms					
<i>location (reference group: Munich city)</i>					
Munich greater area					
other Upper Bavarian areas					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)					
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)					
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)					
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)					
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Chi-Square	291,6				
N=	(145.784)				

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wholesale		+8**			
hotels and restaurants		+23**			
transportation and communication		+19**			
financial services, insurances		+12**			
business-related services		-3*			
person-related services		+19**			
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<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**			
capital firms		-70**			
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NI-			(115 781)		

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registered firms		+19**			
capital firms		-70**			
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<i>location (reference group: Munich city)</i>					
Munich greater area		-16**			
other Upper Bavarian areas		-16**			
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wholesale		+8**	+7**		
hotels and restaurants		+23**	+43**		
transportation and communication		+19**	+36**		
financial services, insurances		+12**	+29**		
business-related services		-3*	+10		
person-related services		+19**	+34**		
<hr style="border-top: 1px dashed black;"/>					
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**		
capital firms		-70**	-70**		
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other Upper Bavarian areas		-16**	-15**		
<hr style="border-top: 1px dashed black;"/>					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		
<hr style="border-top: 1px dashed black;"/>					
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		
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capital firms		-70**	-70**		
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**		
other Upper Bavarian areas		-16**	-15**		
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)					
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)					
Chi-Square	291,6	9840,5	9877,9		
N=	(145.784)				

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2		
1993/94	+6**	+8**	+1		
<hr style="border-top: 1px dashed black;"/>					
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1		
construction		+26**	+17**		
wholesale		+8**	+7**		
hotels and restaurants		+23**	+43**		
transportation and communication		+19**	+36**		
financial services, insurances		+12**	+29**		
business-related services		-3*	+10		
person-related services		+19**	+34**		
<hr style="border-top: 1px dashed black;"/>					
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**		
capital firms		-70**	-70**		
<hr style="border-top: 1px dashed black;"/>					
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**		
other Upper Bavarian areas		-16**	-15**		
<hr style="border-top: 1px dashed black;"/>					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		
<hr style="border-top: 1px dashed black;"/>					
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		
<hr style="border-top: 1px dashed black;"/>					
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)					
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)					
Chi-Square	291,6	9840,5	9877,9		
N=	(145.784)				

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2		
1993/94	+6**	+8**	+1		
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1	-1	
construction		+26**	+17**	+28**	
wholesale		+8**	+7**	+11**	
hotels and restaurants		+23**	+43**	+30**	
transportation and communication		+19**	+36**	+26**	
financial services, insurances		+12**	+29**	+19**	
business-related services		-3*	+10	+3	
person-related services		+19**	+34**	+25**	
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**	+19**	
capital firms		-70**	-70**	-70**	
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**	-16**	
other Upper Bavarian areas		-16**	-15**	-16**	
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)				-2,4**	
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)				+0,5	
Chi-Square	291,6	9840,5	9877,9	9936,0	
N=			(145.784)		

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2	-8**	
1993/94	+6**	+8**	+1	+6*	
<hr style="border-top: 1px dashed black;"/>					
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1	-1	
construction		+26**	+17**	+28**	
wholesale		+8**	+7**	+11**	
hotels and restaurants		+23**	+43**	+30**	
transportation and communication		+19**	+36**	+26**	
financial services, insurances		+12**	+29**	+19**	
business-related services		-3*	+10	+3	
person-related services		+19**	+34**	+25**	
<hr style="border-top: 1px dashed black;"/>					
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**	+19**	
capital firms		-70**	-70**	-70**	
<hr style="border-top: 1px dashed black;"/>					
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**	-16**	
other Upper Bavarian areas		-16**	-15**	-16**	
<hr style="border-top: 1px dashed black;"/>					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		
<hr style="border-top: 1px dashed black;"/>					
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		
<hr style="border-top: 1px dashed black;"/>					
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)				-2,4**	
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)				+0,5	
Chi-Square	291,6	9840,5	9877,9	9936,0	
N=	(145.784)				

Cox-regression of cohort-effects

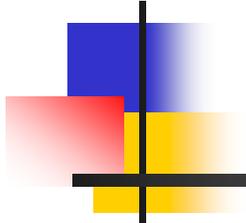
	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2	-8**	
1993/94	+6**	+8**	+1	+6*	
<hr style="border-top: 1px dashed black;"/>					
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1	-1	+2
construction		+26**	+17**	+28**	+21**
wholesale		+8**	+7**	+11**	+10**
hotels and restaurants		+23**	+43**	+30**	+50**
transportation and communication		+19**	+36**	+26**	+42**
financial services, insurances		+12**	+29**	+19**	+36**
business-related services		-3*	+10	+3	+16**
person-related services		+19**	+34**	+25**	+41**
<hr style="border-top: 1px dashed black;"/>					
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**	+19**	+19**
capital firms		-70**	-70**	-70**	-70**
<hr style="border-top: 1px dashed black;"/>					
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**	-16**	-16**
other Upper Bavarian areas		-16**	-15**	-16**	-15**
<hr style="border-top: 1px dashed black;"/>					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)					
<hr style="border-top: 1px dashed black;"/>					
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)					
<hr style="border-top: 1px dashed black;"/>					
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)					
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)				-2,4**	-2,8**
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)				+0,5	+0,6

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2	-8**	
1993/94	+6**	+8**	+1	+6*	
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1	-1	+2
construction		+26**	+17**	+28**	+21**
wholesale		+8**	+7**	+11**	+10**
hotels and restaurants		+23**	+43**	+30**	+50**
transportation and communication		+19**	+36**	+26**	+42**
financial services, insurances		+12**	+29**	+19**	+36**
business-related services		-3*	+10	+3	+16**
person-related services		+19**	+34**	+25**	+41**
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**	+19**	+19**
capital firms		-70**	-70**	-70**	-70**
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**	-16**	-16**
other Upper Bavarian areas		-16**	-15**	-16**	-15**
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		+0,5
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		-4,0**
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		+7,7**
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)				-2,4**	-2,8**
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)				+0,5	+0,6

Cox-regression of cohort-effects

	1	2	3	4	5
<i>cohort (reference group: 1985/86)</i>					
1990/91	-9**	-10**	-2	-8**	-4
1993/94	+6**	+8**	+1	+6*	-2
<hr style="border-top: 1px dashed black;"/>					
<i>branch of industry (reference group: retail)</i>					
manufacturing, energy		-5	-0,1	-1	+2
construction		+26**	+17**	+28**	+21**
wholesale		+8**	+7**	+11**	+10**
hotels and restaurants		+23**	+43**	+30**	+50**
transportation and communication		+19**	+36**	+26**	+42**
financial services, insurances		+12**	+29**	+19**	+36**
business-related services		-3*	+10	+3	+16**
person-related services		+19**	+34**	+25**	+41**
<hr style="border-top: 1px dashed black;"/>					
<i>legal form (reference group: small tradesmen)</i>					
registered firms		+19**	+19**	+19**	+19**
capital firms		-70**	-70**	-70**	-70**
<hr style="border-top: 1px dashed black;"/>					
<i>location (reference group: Munich city)</i>					
Munich greater area		-16**	-16**	-16**	-16**
other Upper Bavarian areas		-16**	-15**	-16**	-15**
<hr style="border-top: 1px dashed black;"/>					
<i>actual business situation at time of founding</i> (unit of measurement: 10 points of difference)			-1,4**		+0,5
<i>expected business situation at time of founding</i> (unit of measurement: 10 points of difference)			-3,5*		-4,0**
<hr style="border-top: 1px dashed black;"/>					
<i>registration quota at time of founding</i> (unit of measurement: 10 points of difference)			+6,6**		+7,7**
<hr style="border-top: 1px dashed black;"/>					
<i>business cycle: actual situation</i> (unit of measurement: 10 points of difference)				-2,4**	-2,8**
<i>business cycle: expected development</i> (unit of measurement: 10 points of difference)				+0,5	+0,6
Chi-Square	291,6	9840,5	9877,9	9936,0	9981,5
N=	(145.784)				



Context of Founding and Survival Chances of Businesses

Conclusion:

It are indeed the economic conditions prevailing at the time of founding, which influence the survival chances – as the hypothesis of „organizational imprinting“ postulates – and not only the general business cycles, which of course have an impact too.