

**FAMILY ENTREPRISES IN RURAL AREAS OF THE VARDAR REGION IN THE
REPUBLIC OF MACEDONIA**

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Abstract

The aim of this paper is to investigate some aspects of family enterprises and incorporate new findings in the body of knowledge about family businesses in rural areas of the Southeast Planning Region (SPR) of the Republic of Macedonia (RoM). With that on mind, 21 individuals from rural parts of the SPR in the RoM were interviewed, of whom 47.62% were owners of family businesses and 52.38% of non-family businesses. They were offered three sets of statements that are of importance for comparison between family and non-family businesses and determining the specifics of family businesses in rural areas of the SPR. The responses were measured at a five-level scale from irrelevant to those of priority.

From the results of the conducted research it can be concluded that family businesses significantly shape the economic environment in the rural areas of the SPR. General support for entrepreneurship and SMEs in rural areas of the SPR by the state and local governments can significantly stimulate the establishment of new family enterprises and the growth of existing ones.

Keywords: *Southeast planning region, Republic of Macedonia, family enterprises, rural areas.*

Introduction

Major part of the businesses around the world – that goes also for the United States and other developed countries – are led and managed by families. A family business is established by an entrepreneur who has a particular business idea, and afterwards is developed by him/her or his/her successors (Mantle, 1999).

It is very difficult to define the term of family business. The majority of people would say that a firm that is owned and led by one family member is in question, similar to a start-up of a small enterprise. According to other definitions two or more family members are owners of the family business and its managers (spouses, for instance).

In the world there are family businesses with a turnover above one billion dollars, but also there are family micro businesses run by one person who hopes that one day some of his/her children (or another family member) will inherit the firm.

According to assessments three of four businesses in Great Britain are of family kind and they have longer life compared with non-family businesses. When making comparison among family businesses the ownership, size, turnover and the market must be taken into account (Leach and Bogot, 1999).

Although family businesses face certain challenges – like internal discordances and rivalry between brothers and sisters, for instance – they considerably contribute to the growth of the society today. Family support is a major benefit, while company culture and values are considered as very significant in the family companies. New generations have to respond to the challenges they face and certain situations may occur when a professional team of

experienced managers has to be invited to join in case the family members are not sufficiently qualified or skilled for the position in question (Deakins and Freel, 2005).

Family businesses have their advantages but also demonstrate weaknesses. The following can be mentioned as advantages (Heller, 1998):

- They have managers who are members of the family and they keep a long term prospect of the company. This is evident in the relationship of the family members with the employees, customers, the society and other important players. Family members want to be proud of the success of their enterprise, do care about the position of their enterprise in the society and advocate for more reputation. When the company is connected with their family they are less committed to short-term financial effects, in case they jeopardize the family enterprise. Compared with non-family enterprises they are under less pressure for short-term successes.
- A significant competitive advantage of the family enterprise is the comprehensive knowledge of the company owned by the family members. They have contacts with the company from their early childhood, and the practice work during school holidays offers opportunities to learn more about the company. This kind of knowledge gives the family member an advantage over others in joining the company. Companies often also have a special way of working - for instance, special technology or "know how" - which is unknown to the competition. It is a knowledge that is developed and kept in the family.
- Clear relations are present in the top management of the company. Based upon the power originating from the ownership family companies have clear independence in the decision making process and therefore decisions can be made faster.
- The family exercises strong impact upon the behavior, norms and values within the company. The values expressed by family members shape the common goal of the employees helping to achieve a sense of identity and belonging to the enterprise.
- Employees have easier access and direct contacts with the top management, members of the family. The personal style of management and close contacts with colleagues lead to positive, motivational business stance.
- The high degree of flexibility allows customized responses to the market needs and thus secures their place in the market. The fact that family businesses are generally reliable with caring and direct relationships with customers and other business partners additionally secure their place on the market. Since managers, as family members, do not change often, buyers keep long direct relationships with the same persons.

The following can be listed among weaknesses of family businesses:

- Funding of the growth in family enterprise is problematic for the following reasons: the share of capital by non-family members is undesirable, while own capital increase by the owner, which is entirely dependent on the profit, is difficult.
- Since leading positions are usually held exclusively for family members, it adversely affects the activities of quality non-family employees in the family enterprise. This limits the opportunities for advancement of non-family members.
- The high rate of centralization of decision-making and work associated with low rates of formalization and low number of instruments of management easily leads to over-burdening of family entrepreneurs.
- Insufficiently regulated heritage matters could endanger the existence of the enterprise. It affects the recruitment and motivation of managers who are not family members. Also, instances of discord and lack of skills among individual family members can lead to a slowdown in the process of decision-making.

The aim of this paper is to investigate some aspects of family enterprises and incorporate new findings in the body of knowledge about family businesses in rural areas of the Southeast Planning Region (SPR) of the Republic of Macedonia (RoM).

Materials and methods

The research is based on literature, documents and particularly on analysis of a suitable sample of interviewed entrepreneurs (21 SMEs) from rural areas of the SPR in the RoM which were conducted between February and April, 2011 – of which 47.62% were family businesses and 52.38% non-family - is to obtain a certain amount of knowledge regarding the conditions of family businesses in that particular region. During the creation of this work several methods were applied which are usually used for economic analyzes, mainly the comparative method, the method of generalization and specialization, the methods of induction and deduction and the statistical method.

In this survey research three sets of statements were presented to the interviewees that are of importance for comparison between family and non-family businesses and for the assessment of the conditions of family enterprises in rural areas of the SPR in the RoM, assessed according a five level scale from 1 (unimportant) to 5 (of priority),

Results and discussion

Collected and processes data are displayed in Table 1, Table 2 and Table 3.

Table 1. Agreement with the statements in terms of improving the work for better competitive market position, compared by the type of enterprises (family/non-family)

	Family	Non-Family
	Mean value	Mean value
Improving the quality of products and services	4.22	4.19
Improving the promotion of products	4.15	4.11
Obtaining certifications for quality	3.89	3.83
Professional consulting assistance	3.53	3.40
Improvement and education in the field of entrepreneurship	3.79	3.63
Improvement and education in the field of Information and Communication Technologies (ICT)	3.77	3.63
Improvement and education in the field of management	3.69	3.55
Improvement and education in finance	3.44	3.39
Improvement and education in the field of sales	3.88	3.66
Improvement and education in marketing	3.85	3.80
Improvement and education in foreign languages	3.42	3.42
Association with companies in the sector to jointly appear on the market	3.89	3.12
Assistance from development programs through grants	4.30	4.24
Assistance from development programs through favorable loans	4.58	4.33
Assistance from development programs through guarantee funds	3.68	3.52

Source: Authors' own elaboration based on questionnaire survey results

In relation to the above mentioned statements, family businesses (almost without exception) have demonstrated more positive attitudes in comparison to non-family businesses, which indicates their higher level of competitiveness on the market.

Table 2. Agreement with the statements in terms of business plans for the future, compared by the type of the enterprise (family / non-family)

	Family	Non-Family
	Mean value	Mean value
Introducing new products or services	4.16	4.00
Sales on a new market	3.55	3.26
Exploring new markets	3.58	3.13

Search for new distribution channels	3.88	3.42
Expanding advertising and promotion	4.12	3.84
Investing in new equipment and machinery	4.28	3.57
Replacement of current equipment and machinery	4.25	3.55
Expansion of current facilities	4.22	3.53
Redesign/new arrangement of the current facilities	3.64	3.09
Search for additional financial capital	4.14	3.47
Computerization of current operations	3.65	3.03
Upgrading of computer systems	3.56	3.18
Redesign of work activities	3.15	3.04
Expanding the scope of work activities	4.14	3.74
Search for professional or technical advice	3.76	3.23
Additional engagement of staff specialists	3.73	3.13
Investing in staff training (elsewhere / not in the company)	2.97	2.37

Source: Authors' own elaboration based on questionnaire survey results

The attitudes presented above indicate that owners of family businesses pay more attention to plans for the business when compared to their counterparts from non-family businesses.

Table 3. Agreement with the statements about entrepreneurship, compared by the type of enterprises (family/non-family)

	Family	Non-Family
	Mean value	Mean value
My business is the most important activity in my life	4.29	4.18
I would do everything that is needed for my business to succeed	4.21	4.19
I plan to sell my business at the end	2.26	2.14
I would like to significantly contribute to the community by developing a successful business	4.43	4.27
I would prefer to have my own business than to earn higher wages working for someone else	4.17	3.85
To run your own business is more important than have more time for the family	3.52	3.86
I would prefer to have my own business than to have another promising career	3.91	4.04
For the entrepreneur it is important to understand and accept the risk in order to start and run a successful business	4.13	4.19
I am ready to get into conflict with my family for the sake of running my business	3.55	3.33
I would put my house mortgaged to acquire capital for my business	3.77	3.56
I would be ready to have less security for my family in order to run my business	3.59	3.65
I run my business to continue the family tradition	3.55	3.33
I run my business to contribute to the welfare of my relatives	3.38	3.45
I run my business to live in a place that my family likes	3.37	3.44
I run my business to improve the status and prestige of my family	4.12	4.08
I run my business to have more flexibility in my personal and family life	3.89	4.11

Source: Authors' own elaboration based on questionnaire survey results

The above statements show that entrepreneurial behavior is more characteristic for family businesses rather than non-family enterprises.

Almost without exception the more positive attitudes expressed toward competitiveness on the market, the attitudes towards business plans as well as attitudes towards entrepreneurship from non-family businesses speak in favor that family businesses significantly shape the economic environment in rural areas of the SPR in the RoM. They are unique because of their employee structure: they are not randomly selected employees, managers, but are family members. Their focus on the success of their company in the future clearly underlines their desire to remain in their place of residence and to contribute to the development of the local rural community. The future of family enterprises in rural areas of the SPR of the RoM - beside other - depends on how successfully legacy matters concerning management and ownership are solved. Support to SMEs and entrepreneurship in general and in rural areas in

particular by the state and local governments can significantly stimulate the establishment of new enterprises and family businesses and growth of the existing ones.

Conclusion

Family businesses in rural areas of the SPR in the RoM, almost without exception, have demonstrated more positive attitudes than non-family businesses towards:

- Market competitiveness,
- Attitudes towards future businesses,
- Attitudes towards entrepreneurship.

Beside that, their unique structure regarding staff, their orientation towards the success of their company currently of in the future, as well as the intention to stay in the place of residence and contribute to the development of the local rural community clearly speak in favour of the fact that they considerably shape the economic environment in rural areas of the SPR in the RoM.

As a kind of incentive for establishment of new family businesses and growth of existing ones the support for entrepreneurship and SMEs by the state and local self-government is crucial.

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