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**Global Challenges and Prospects of the Modern Economic
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MANAGING A FAMILY BUSINESS IN MODERN CONDITIONS

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Abstract

The study of the family as a system and business is important for expanding the understanding of the specifics of family companies and their development strategies, management features and identifying factors that contribute to the growth and development. There is no single interpretation of the concept of "family business", this is due to the presence of different business models and types of organizations in this category. Family business as a study subject is considered in such areas of scientific knowledge as economics, psychology, strategic management, organizational behavior, sociology, as well as in other areas. The object of the study is family companies, the subject is socio-economic relations that develop in the process of managing family companies. The purpose of the study is to study the features of family business, as well as to identify socio-economic aspects of family business management. Based on the results of the study, the authors made some conclusions concerning the fact that in the management of a family company, success will depend on two key factors: management and the ability to cooperate. Effective management systems help to make optimal decisions and to solve emerging problems. At the moment, global and Russian trends in the categories of family entrepreneurship and family business have been identified.

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1. Introduction

The study of the family as a system and business is important for expanding the understanding of the specifics of family companies and their development strategies, management features and identifying factors that contribute to the growth and development. The concept of "family business" and the management issues of family companies are not widely covered in the works of Russian researchers, this is largely due to the period of formation of the market economy. In Russia, the concept of "family company" is currently absent at the legislative level. Family business as an independent subject of study is at the stage of formation, over the past 20 years there have been many studies related to the study of the features of family business and trends of its development. There is no single interpretation of the concept of "family business", this is due to the presence of different business models and types of organizations in this category. In general, a family business or family company can be understood as a company whose management is concentrated within one family, decisions are made by a majority vote. Family companies can be both small and medium-sized enterprises in terms of scale of activity, and large corporations represented in many countries. Research on development and support of small and medium-sized business in the Russian Federation is conducted by Ashmarina and Murzagalina (2021), Ashmarina and Pavlova (2020), Troshina et al. (2021) etc. Issues of sustainability of family business are considered by Ahn et al. (2021), de Groote et al. (2020). Various aspects of family business development are studied by Ingram et al. (2020), Mazzi (2011), Rachmawati et al. (2020).

2. Problem Statement

The concepts of family business, family entrepreneurship, family-owned business, and family company can be recognized as similar, but there is no single interpretation of these concepts, which is due to the presence of diverse business models in different countries. In general, a family business can be understood as a type of business in which control over activities is concentrated within one family, decisions are made by a majority vote. As a distinctive feature of a family business, any involvement of the family in business activities is recognized, in particular: ownership and inheritance, executive management, as well as corporate governance. The issues of effective management of family companies are of interest to researchers and practitioners. The study of the characteristics of family businesses and companies that are under the control of the family began with an applied study conducted by Mazzi in the 2011, it presented an analysis of the features of innovative activities of companies: Vanderbilts, Astors, Rockefellers, Carnegies and Fords in the United States, Zegnas, Rothchilds, and Hienekens in Europe and Salim, Li Ka-Shing, and Formosa groups in Asia (Mazzi, 2011).

In 1989, the international association "International network of family businesses" FBN (Family Network) was founded, which consists of more than 9,000 members in more than 3,000 companies. In 2016, international summits were held in Berlin and in 2017 in Paris, where issues related to the impact of family business on the economy, as well as development prospects, were discussed. Applied interest in the development of family business contributed to the actualization of scientific studies in this area.

3. Research Questions

This study provides an answer to a number of significant questions:

1. Study of theoretical aspects of family business: concept and essence.
2. Defining the features of a family business.
3. Study of current trends in the management of family companies and identification of legislative support for the concept of "family enterprise".
4. Systematization of the information received, presentation of key aspects in the course work.

The answers to these questions will allow to assess the features of reducing the family business in an actively changing environment. Existing trends increasingly indicate the importance of studying these aspects for the modernization of management processes in business.

4. Purpose of the Study

The purpose of the study is to study the features of family business, as well as to identify socio-economic aspects of family business management. The object of the study is family companies, the subject is socio-economic relations that develop in the process of managing family companies. The family business occupies a special place in the economy of each country, as it makes a significant contribution to its development, ensuring long-term stability, creating a culture of commitment and responsibility. Family business as a study subject is considered in such areas of scientific knowledge as economics, psychology, strategic management, organizational behavior, sociology, as well as in other areas. It can be noted that it covers almost all aspects of a person's life, especially if we consider it as a part of a specific business. Given that this topic remains relevant for a long time, we can say that this area will remain promising for conducting studies for a long time. That is why this topic was chosen for the study.

5. Research Methods

The theoretical and methodological basis of the study is presented by the works of Russian and foreign authors, who reveal the concept of family business and the features of management in companies of this type. The main research methods used in the study consist in conducting a detailed analysis of the theoretical base on the functioning of the family business at the present time. The real current situation in the field of family business management is compared with the potential expectations of researchers. The basis for comparison was a study by Deloitte company. The existing regulatory framework for regulating the activities of family business structures has been studied in detail. Based on the use of these research methods, it is possible to answer the questions raised. This, in turn, becomes the basis for achieving the research goal.

6. Findings

Family companies can be represented by both small businesses and large corporations that operate on different markets in different countries. Among the major well-known corporations are: Benetton, L'Oreal, Auchan, Michelin, Fiat Group, Salvatore Ferragamo, Samsung, Carrefour Group, Estée Lauder

Companies Inc LVMH (France), Campary Group (Italy), BMW, Mattel, Ford Motors, Hyundai Motor (South Korea), Siemens, Adidas, Kikkoman, Ito-Yokado (Japan), Porsche (Germany), Wal-Mart Stores, Toyota Group. Analyzing the trends in the development of family businesses, Deloitte's research was studied. In 2019, the Center for Family Business Services of the Deloitte International network conducted a survey on how family companies achieve a balance of long-term goals and short-term goals in order to maintain success. 791 executives from 58 countries took part in the survey. According to the results of the survey, information was obtained (Deloitte, 2019):

- 43% of companies had annual revenue of less than 50 million US dollars, 37% - from 50 to 250 million US dollars, 5% - from 1 billion US dollars and more;
- most of the companies (38%) were created between 20 and 49 years ago;
- 37% of managers are representatives of the second generation, 23% - the first generation of managers, 25% – the third and 15% - the fourth or subsequent.

Despite the fact that when creating a family business, it is focused on the long-term perspective of existence and development, less than a third part of family companies remain until the third generation.

Actions in the short term are not always aimed at long-term development, the heads of family companies may focus on less important issues, postponing significant ones. Following short-term priorities can also put at risk issues of heritage, the preservation of family traditions.

Currently, the family business is influenced by many factors:

1. Instability of consumer behavior, rapid change of preferences.
2. Disagreements within the family that create the prerequisites for destruction.
3. Problems coming from the external environment: climate change, environmental degradation, geopolitical instability.

According to international statistics, for 65% of respondents, long-term development of the company is more important than short-term results, and 27% of respondents said that sometimes you can neglect long-term development, focusing on short-term financial goals.

If we consider the responses of representatives of Russian family companies, then:

1. 46% said that increasing capitalization has a higher priority than short-term profitability.
2. 41% of respondents are willing to neglect long-term goals to solve current financial issues.
3. 13% of the respondents said that they constantly have to solve current problems, for the most part this is observed in companies founded about 10 or less years ago.

Considering the issues of succession and transfer of management of the company to the next generation, Deloitte found that half of the respondents from Russia plan to transfer the management function of the company in the near future, while, according to the international survey, the results differ – only one third is ready to transfer management to a successor. At the same time, the readiness of the next generation to accept the function of managing a family company in Russia is lower than among all survey participants. In 6% of Russian family companies, the younger generation is not interested in running a family business. Family members' interest in running a business increases as the company's work period increases. The lowest interest is determined in the retail sector (Deloitte, 2019).

Another interesting fact revealed by the results of the survey is that 37% of the participants in the international survey chose the most important quality for the head of a family business. It is the desire to

continue learning, as well as curiosity, which will contribute to the long-term development of the company, in Russia only 18% of respondents agree with this opinion. The results of the Deloitte study indicate that representatives of many family companies lack clarity on at least one aspect: strategy, ownership structure, succession. Family companies actively and responsibly direct their profits to the development of the company (reinvest), preferring debt financing to equity financing. Family businesses in the country play a special role in maintaining long-term stability by creating values and a culture of commitment. At the legislative level, the concept of "family business" is not currently introduced in Russia. There are a large number of enterprises organized by families, there are no exact statistics, due to the absence of the family company category at the legislative level. Also, due to the lack of consolidation of the status of family companies at the state level, Russia does not provide support programs, benefits and other bonuses for family businesses. At the same time, it is important to note that the closure of a family business can leave all family members without work and income, it means increased risks of exacerbating social tension.

In a survey of representatives of family businesses, it was noted that state support is needed in the form of special lending programs, tax deductions. In family companies, labor relations differ from non-family companies, and in family businesses, it is necessary to provide for other taxes and rules, since the income received is actually the income of the family. According to information provided in the news, by the end of 2020, the concept of "family enterprise" may be introduced in the legislation of the Russian Federation, in early 2020, the project was launched for public discussion and anti-corruption expertise. Thus, the text of the amendments draft to the Federal Law "On the development of small and medium-sized businesses" dated 24.07.2007 N 209-FZ appeared on the Internet. According to the published amendments draft, both small and medium-sized enterprises in which family members have a share in the authorized capital of 50% or more than 50% of voting shares can be classified as a "family enterprise". Family members are recognized as "marriage partners, their parents, children, brothers, sisters, grandchildren, grandparents of marriage partners, brothers and sisters of parents of marriage partners, as well as adoptive parents and adopted children. Previously there was a similar bill, but it was not introduced. It included that in order for the company to be considered as family one, the requirements for a limited liability company are that members of the family should own more than 50% shares of authorized capital, for the individual entrepreneurs – not less than 50% of workers who are employed by the individual entrepreneurs, should be family members.

Thus, at the moment, family companies do not receive targeted support from the state, since the category of "family enterprise" is not allocated at the legislative level. The allocation of family entrepreneurship in a separate category will create organizational, legal and economic conditions for the development of the infrastructure of family business in Russia, as well as the development of the family as an environment for human self-realization, which is noted in the project passport.

7. Conclusion

As a result of studying the topic of family business management, we can formulate the main conclusions. In managing a family company, success will depend on two key factors: management and the ability to interact. Effective management systems help to make optimal decisions and to solve

emerging problems. At the moment, global and Russian trends in the categories of family entrepreneurship and family business have been identified (Deloitte, 2019): most of the companies are between the age of 20 and 49.; of the 791 survey participants: 37% of managers are representatives of second generation, 23% are first generation of managers, 25% are third generation, and 15% are fourth or the next generation. Insufficient attention is paid to issues of succession and transfer of business to the next generation. To train family managers, it is necessary to develop and implement succession plans. In general, it can be noted that the family business plays an important role in each country, ensuring stability and long-term development due to the presence of special goals and values that are not present in non-family companies.

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